SOCIAL SECURITY

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE

UNITED STATES SENATE

EIGHTY-FIFTH CONGRESS

SECOND SESSION

ON

H. R. 13549

AN ACT TO INCREASE BENEFITS UNDER THE FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM, TO IMPROVE THE ACTUARIAL STATUS OF THE TRUST FUND OF SUCH SYSTEM, AND OTHERWISE IMPROVE SUCH SYSTEM; TO AMEND THE PUBLIC ASSISTANCE AND MATERNAL AND CHILD HEALTH AND WELFARE PROVISIONS OF THE SOCIAL SECURITY ACT; AND FOR OTHER PURPOSES

AUGUST 8, 11, 12, AND 18, 1958

Printed for the use of the Committee on Finance

UNITED STATES
GOVERNMENT PRINTING OFFICE
29743 O WASHINGTON : 1958

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SOCIAL SECURITY

FRIDAY, AUGUST 8, 1958

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

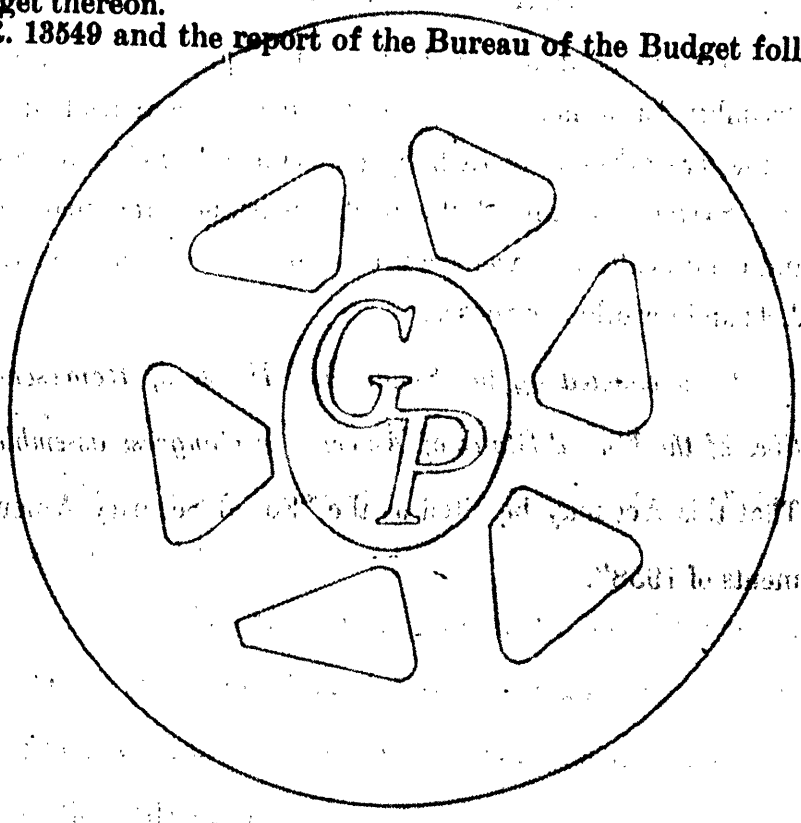
The committee met, pursuant to call, at 10:15 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd presiding.

Present: Senators Byrd (chairman), Kerr, Frear, Long, Anderson, Douglas, Martin, Williams, Malone, Carlson, Bennett, and Jenner.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order. I submit for the record the text of H. R. 13549 and the report of the Bureau of the Budget thereon.

(H. R. 13549 and the report of the Bureau of the Budget follow:)



85TH CONGRESS
2D SESSION

H. R. 13549

IN THE SENATE OF THE UNITED STATES

AUGUST 1, 1958

Read twice and referred to the Committee on Finance

AN ACT

To increase benefits under the Federal Old-Age, Survivors, and Disability Insurance System, to improve the actuarial status of the Trust Funds of such System, and otherwise improve such System; to amend the public assistance and maternal and child health and welfare provisions of the Social Security Act; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Social Security Amendments of 1958".

TITLE I—INCREASE IN BENEFITS UNDER TITLE II OF THE SOCIAL SECURITY ACT

INCREASE IN BENEFIT AMOUNTS

Primary Insurance Amount

SEC. 101. (a) Subsection (a) of section 215 of the Social Security Act is amended to read as follows:

"Primary Insurance Amount

"(a) Subject to the conditions specified in subsections (b), (c), and (d) of this section, the primary insurance amount of an insured individual shall be whichever of the following is the largest:

"(1) The amount in column IV on the line on which in column III of the following table appears his average monthly wage (as determined under subsection (b));

"(2) The amount in column IV on the line on which in column II of the following table appears his primary insurance amount (as determined under subsection (c));

"(3) The amount in column IV on the line on which in column I of the following table appears his primary insurance benefit (as determined under subsection (d)); or

"(4) In the case of an individual who was entitled to a disability insurance benefit for the month before the month in which he became entitled to old-age insurance

benefits or died, the amount in column IV which is equal to his disability insurance benefit.

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS

"I		II		III		IV	V
"(Primary insurance benefit under 1939 Act, as modified)		(Primary insurance amount under 1954 Act)		(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
"If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (a)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203 (a)) on the basis of his wages and self-employment income shall be—
"At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
.....	$10.00	.....	$30.00	.....	$54	$33	$53.00
"$10.01	10.48	$30.10	31.00	$55	56	34	54.00
10.49	11.00	31.10	32.00	57	58	35	55.00
11.01	11.48	32.10	33.00	59	60	36	56.00
11.49	12.00	33.10	34.00	61	61	37	57.00
12.01	12.48	34.10	35.00	62	63	38	58.00
12.49	13.00	35.10	36.00	64	65	39	59.00
13.01	13.48	36.10	37.00	66	67	40	60.00
13.49	14.00	37.10	38.00	68	69	41	61.50
14.01	14.48	38.10	39.00	70	70	42	63.00
14.49	15.00	39.10	40.00	71	72	43	64.50
15.01	15.60	40.10	41.00	73	74	44	66.00
15.61	16.20	41.10	42.00	75	76	45	67.50
16.21	16.84	42.10	43.00	77	78	46	69.00
16.85	17.60	43.10	44.00	79	80	47	70.50
17.61	18.40	44.10	45.00	81	81	48	72.00
18.41	19.24	45.10	46.00	82	83	49	73.50
19.25	20.00	46.10	47.00	84	85	50	75.00
20.01	20.64	47.10	48.00	86	87	51	76.50
20.65	21.28	48.10	49.00	88	89	52	78.00
21.29	21.88	49.10	50.00	90	90	53	79.50
21.89	22.28	50.10	50.90	91	92	54	81.00
22.29	22.68	51.00	51.80	93	94	55	82.50
22.69	23.08	51.90	52.80	95	96	56	84.00
23.09	23.44	52.90	53.70	97	97	57	85.50
23.45	23.76	53.80	54.60	98	99	58	87.00
23.77	24.20	54.70	55.60	100	101	59	88.50
24.21	24.60	55.70	56.50	102	102	60	90.00
24.61	25.00	56.60	57.40	103	104	61	91.50
25.01	25.48	57.50	58.40	105	106	62	93.00
25.49	25.92	58.50	59.30	107	107	63	94.50
25.93	26.40	59.40	60.20	108	109	64	96.00
26.41	26.94	60.30	61.20	110	113	65	97.50
26.95	27.46	61.30	62.10	114	118	66	99.00
27.47	28.00	62.20	63.00	119	122	67	100.50
28.01	28.68	63.10	64.00	123	127	68	102.00
28.69	29.25	64.10	64.90	128	132	69	104.00
29.26	29.68	65.00	65.80	133	136	70	107.60
29.69	30.36	65.90	66.80	137	141	71	111.20
30.37	30.92	66.90	67.70	142	146	72	115.20
30.93	31.52	67.80	68.70	147	151	73	119.20
31.53	32.00	68.80	69.60	152	155	74	122.80
32.01	32.60	69.70	70.50	156	160	75	126.40
32.61	33.40	70.60	71.50	161	165	76	130.40
33.41	33.88	71.60	72.40	166	169	77	134.00
33.89	34.50	72.50	73.30	170	174	78	137.60
34.51	35.20	73.40	74.30	175	179	79	141.60
35.21	35.80	74.40	75.20	180	183	80	145.20
35.81	36.40	75.30	76.10	184	188	81	148.80
36.41	37.08	76.20	77.10	189	193	82	152.80
37.09	37.60	77.20	78.00	194	197	83	156.40
37.61	38.20	78.10	78.90	198	202	84	160.00
38.21	38.12	79.00	79.90	203	207	85	164.00
38.13	38.68	80.00	80.80	208	211	86	167.60

"TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS—Continued

"I		II		III		IV	V
"(Primary insurance benefit under 1939 Act, as modified)		(Primary insurance amount under 1954 Act)		(Average monthly wage)		(Primary insurance amount)	(Maximum family benefits)
"If an individual's primary insurance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—		Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits payable (as provided in sec. 203 (a)) on the basis of his wages and self-employment income shall be—
"At least—	But not more than—	At least—	But not more than—	At least—	But not more than—		
"$39.69	$40.33	$80.00	$81.70	$212	$216	$87	$171.20
40.34	41.12	81.80	82.70	217	221	88	175.20
41.13	41.76	82.80	83.60	222	225	89	178.80
41.77	42.44	83.70	84.50	226	230	90	182.40
42.45	43.20	84.60	85.50	231	235	91	186.40
43.21	43.76	85.60	86.40	236	239	92	190.00
43.77	44.44	86.50	87.30	240	244	93	193.60
44.45	44.88	87.40	88.30	245	249	94	197.60
44.89	45.60	88.40	89.20	250	253	95	201.20
		89.30	90.10	254	258	96	204.80
		90.20	91.10	259	263	97	208.80
		91.20	92.00	264	267	98	212.40
		92.10	92.90	268	272	99	216.00
		93.00	93.90	273	277	100	220.00
		94.00	94.80	278	281	101	223.60
		94.90	95.80	282	286	102	227.20
		95.90	96.70	287	291	103	231.20
		96.80	97.60	292	295	104	234.80
		97.70	98.60	296	300	105	238.40
		98.70	99.50	301	305	106	242.40
		99.60	100.40	306	309	107	246.00
		100.50	101.40	310	314	108	249.60
		101.50	102.30	315	319	109	253.60
		102.40	103.20	320	323	110	254.00
		103.30	104.20	324	328	111	254.00
		104.30	105.10	329	333	112	254.00
		105.20	106.00	334	337	113	254.00
		106.10	107.00	338	342	114	254.00
		107.10	107.90	343	347	115	254.00
		108.00	108.50	348	351	116	254.00
				352	356	117	254.00
				357	361	118	254.00
				362	365	119	254.00
				366	370	120	254.00
				371	375	121	254.00
				376	379	122	254.00
				380	384	123	254.00
				385	389	124	254.00
				390	393	125	254.00
				394	398	126	254.00
				399	400	127	254.00"

Average Monthly Wage

(b) Section 215 (b) (1) of such Act is amended by striking out "An" and inserting in lieu thereof the following: "For the purposes of column III of the table appearing in subsection (a) of this section, an".

(2) Such section 215 (b) is further amended by adding at the end thereof the following paragraph:

"(5) The provisions of this subsection shall be applicable only in the case of an individual with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage, and—

"(A) who becomes entitled to benefits under section 202 (a) or section 223 after the second month following the month in which the Social Security Amendments of 1958 are enacted, or

"(B) who dies after such second month without being entitled to benefits under such section 202 (a) or section 223, or

"(C) who files an application for a recomputation under section 215 (f) (2) (A) after such second month and is (or would, but for the provisions of section 215 (f) (6), be) entitled to have his primary insurance amount recomputed under such section, or

"(D) who dies after such second month and whose survivors are (or would, but for the provisions of section 215 (f) (6), be) entitled to a recomputation of his primary insurance amount under section 215 (f) (4)."

Primary Insurance Amount Under 1954 Act

(c) Section 215 (c) of such Act is amended to read as follows:

"Primary Insurance Amount Under 1954 Act

"(c) (1) For the purposes of column II of the table appearing in subsection (a) of this section, an individual's primary insurance amount shall be computed as provided in, and subject to the limitations specified in, (A) this section as in effect prior to the enactment of the Social Security Amendments of 1958, and (B) the applicable provisions of the Social Security Amendments of 1954.

"(2) The provisions of this subsection shall be applicable only in the case of an individual who—

"(A) became entitled to benefits under section 202 (a) or section 223 prior to the third month following the month in which the Social Security Amendments of 1958 were enacted, or

"(B) died prior to such third month."

Primary Insurance Benefit Under 1939 Act

(d) Section 215 (d) of such Act is amended to read as follows:

"Primary Insurance Benefit Under 1939 Act

"(d) (1) For the purposes of column I of the table appearing in subsection (a) of this section, an individual's primary insurance benefit shall be computed as provided in

this title as in effect prior to the enactment of the Social Security Act Amendments of 1950, except that—

"(A) In the computation of such benefit, such individual's average monthly wage shall (in lieu of being determined under section 209 (f) of such title as in effect prior to the enactment of such amendments) be determined as provided in subsection (b) of this section (but without regard to paragraph (5) thereof), except that his starting date shall be December 31, 1936.

"(B) For purposes of such computation, the date he became entitled to old-age insurance benefits shall be deemed to be the date he became entitled to primary insurance benefits.

"(C) The 1 per centum addition provided for in section 209 (e) (2) of this Act as in effect prior to the enactment of the Social Security Act Amendments of 1950 shall be applicable only with respect to calendar years prior to 1951, except that any wages paid in any year prior to such year any part of which was included in a period of disability shall not be counted. Notwithstanding the preceding sentence, the wages paid in the year in which such period of disability began shall be counted if the counting of such wages would result in a higher primary insurance amount.

"(D) The provisions of subsection (e) shall be applicable to such computation.

"(2) The provisions of this subsection shall be applicable only in the case of an individual—

"(A) with respect to whom at least one of the quarters elapsing prior to 1951 is a quarter of coverage;

"(B) who meets the requirements of any of the subparagraphs of paragraph (5) of subsection (b) of this section; and

"(C) who attained age 22 after 1950 and with respect to whom less than six of the quarters elapsing after 1950 are quarters of coverage, or who attained such age before 1951."

Minimum Survivors or Dependents Benefit

(e) Section 202 (m) of the Social Security Act is amended by striking out "$30" wherever it occurs and inserting in lieu thereof "the first figure in column IV of the table in section 215 (a)".

Maximum Benefits

(f) Subsection (a) of section 203 of the Social Security Act is amended to read as follows:

"Maximum Benefits

"(a) Whenever the total of monthly benefits to which individuals are entitled under sections 202 and 223 for a month on the basis of the wages and self-employment income

of an insured individual is greater than the amount appearing in column V of the table in section 215 (a) on the line on which appears in column IV such insured individual's primary insurance amount, such total of benefits shall be reduced to such amount; except that—

"(1) when any of such individuals so entitled would (but for the provisions of section 202 (k) (2) (A)) be entitled to child's insurance benefits on the basis of the wages and self-employment income of one or more other insured individuals, such total of benefits shall not be reduced to less than the smaller of: (A) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, or (B) the last figure in column V of the table appearing in section 215 (a), or

"(2) when any of such individuals was entitled (without the application of section 202 (j) (1)) to monthly benefits under section 202 or section 223 for the second month following the month in which the Social Security Amendments of 1958 were enacted, and the primary insurance amount of the insured individual on the basis of whose wages and self-employment income such monthly benefits are payable is determined under the provisions of section 215 (a) (2), then such total benefits shall not be reduced to less than the larger of—

"(A) the amount determined under this subsection without regard to this paragraph, or

"(B) the amount determined under this subsection as in effect prior to the enactment of the Social Security Amendments of 1958 or the amount determined under section 102 (h) of the Social Security Amendments of 1954, as the case may be, plus the excess of—

"(i) the primary insurance amount of such insured individual in column IV of the table appearing in section 215 (a), over

"(ii) his primary insurance amount determined under section 215 (c), or

"(3) when any of such individuals is entitled (without the application of section 202 (j) (1)) to monthly benefits based on the wages and self-employment income of an insured individual with respect to whom a period of disability (as defined in section 216 (i)) began prior to the third month following the month in which the Social Security Amendments of 1958 were enacted and continued uninterruptedly until—

"(A) he became entitled to benefits under section 202 or 223, or

"(B) he died, which ever first occurred,

and the primary insurance amount of such insured indi-

vidual is determined under the provisions of section 215 (a) (1) or (3) and is not less than $68, then such total of benefits shall not be reduced to less than the smaller of—

"(C) the last figure in column V of the table appearing in section 215 (a), or

"(D) the amount in column V of such table on the same line on which, in column IV, appears his primary insurance amount, plus the excess of—

"(i) such primary insurance amount, over

"(ii) the smallest amount in column II of the table on the line on which appears such primary insurance amount.

In any case in which benefits are reduced pursuant to the preceding provisions of this subsection, such reduction shall be made after any deductions under this section and after any deductions under section 222 (b). Whenever a reduction is made under this subsection, each benefit, except the old-age or disability insurance benefit, shall be proportionately decreased."

Effective Date

(g) The amendments made by this section shall be applicable in the case of monthly benefits under title II of the Social Security Act, for months after the second month following the month in which this Act is enacted, and in the

case of the lump-sum death payments under such title, with respect to deaths occurring after such second month.

Primary Insurance Amount for Certain Disability Insurance Beneficiaries

(h) If an individual was entitled to a disability insurance benefit under section 223 of the Social Security Act for the second month after the month in which this Act is enacted and became entitled to old-age insurance benefits under section 202 (a) of such Act, or died, in the third month after the month in which this Act is enacted, then, for purposes of paragraph (4) of section 215 (a) of the Social Security Act, as amended by this Act, the amount in column IV of the table appearing in such section 215 (a) for such individual shall be the amount in such column on the line on which in column II appears his primary insurance amount (as determined under subsection (c) of such section 215) instead of the amount in column IV equal to his disability insurance benefit.

Saving Provision

(i) With respect to monthly benefits under title II of the Social Security Act payable pursuant to section 202 (j) (1) of such Act for any month prior to the third month following the month of enactment of this Act, the primary insurance amount of the individual on the basis of whose wages and self-employment income such monthly benefits are

payable shall be determined as though this Act had not been enacted; such primary insurance amount shall be such individual's primary insurance amount for purposes of section 215 of such Act for months after the second month following the month in which this Act is enacted if it is larger than the primary insurance amount determined under section 215 of the Social Security Act as amended by this Act, and shall be rounded to the next higher dollar if it is not a multiple of a dollar.

INCREASE IN EARNINGS BASE FROM $4,200 TO $4,800

Definition of Wages

SEC. 102. (a) (1) Paragraph (2) of section 209 (a) of the Social Security Act is amended to read as follows:

"(2) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $4,200 with respect to employment has been paid to an individual during any calendar year after 1954 and prior to 1959, is paid to such individual during such calendar year;".

(2) Section 209 (a) of such Act is further amended by adding at the end thereof the following new paragraph:

"(3) That part of remuneration which, after remuneration (other than remuneration referred to in the succeeding subsections of this section) equal to $4,800

with respect to employment has been paid to an individual during any calendar year after 1958, is paid to such individual during such calendar year;".

Definition of Self-Employment Income

(b) Paragraph (1) of section 211 (b) of the Social Security Act is amended to read as follows:

"(1) That part of the net earnings from self-employment which is in excess of—

"(A) For any taxable year ending prior to 1955, (i) $3,600, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(B) For any taxable year ending after 1954 and prior to 1959, (i) $4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; and

"(C) For any taxable year ending after 1958, (i) $4,800, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

Definitions of Quarter and Quarter of Coverage

(c) Clauses (ii) and (iii) of section 213 (a) (2) (B) of the Social Security Act are amended to read as follows:

"(ii) if the wages paid to any individual in any calendar year equal $3,600 in the case of a calendar

year after 1950 and before 1955, or $4,200 in the case of a calendar year after 1954 and before 1959, or $4,800 in the case of a calendar year after 1958, each quarter of such year shall (subject to clause (i)) be a quarter of coverage;

"(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such year equals $3,600 in the case of a taxable year beginning after 1950 and ending before 1955, or $4,200 in the case of a taxable year ending after 1954 and before 1959, or $4,800 in the case of a taxable year ending after 1958, each quarter any part of which falls in such year shall (subject to clause (i)) be a quarter of coverage;"

Average Monthly Wage

(d) (1) Paragraph (1) of section 215 (e) of such Act is amended to read as follows:

"(1) in computing an individual's average monthly wage there shall not be counted the excess over $3,600 in the case of any calendar year after 1950 and before 1955, the excess over $4,200 in the case of any calendar year after 1954 and before 1959, and the excess over $4,800 in the case of any calendar year after 1958, of (A) the wages paid to him in such year, plus (B) the self-em-

ployment income credited to such year (as determined under section 212) ;".

(2) Section 215 (e) of such Act is further amended by striking out "(d) (4)" each place it appears and inserting in lieu thereof "(d)".

TITLE II—AMENDMENTS RELATING TO DISABILITY FREEZE AND DISABILITY INSURANCE BENEFITS

APPLICATION FOR DISABILITY DETERMINATION

SEC. 201. Section 216 (i) (2) of the Social Security Act is amended—

(1) by striking out "while under a disability," in the second sentence and inserting in lieu thereof "while under such disability,"; and

(2) by striking out "one-year" in clause (ii) of subparagraph (A) and inserting in lieu thereof "eighteen-month".

RETROACTIVE PAYMENT OF DISABILITY INSURANCE BENEFITS

SEC. 202. (a) Section 223 (b) of such Act is amended by adding at the end thereof the following new sentence: "An individual who would have been entitled to a disability insurance benefit for any month after June 1957 had he filed application therefor prior to the end of such month

shall be entitled to such benefit for such month if he files application therefor prior to the end of the twelfth month immediately succeeding such month."

(b) The first sentence of section 223 (c) (3) of such Act (defining the term "waiting period" for purposes of applications for disability insurance benefits) is amended to read as follows:

"(3) The term 'waiting period' means, in the case of any application for disability insurance benefits, the earliest period of six consecutive calendar months—

"(A) throughout which the individual who files such application has been under a disability which continues without interruption until such application is filed, and

"(B) (i) which begins not earlier than with the first day of the eighteenth month before the month in which such application is filed if such individual is insured for disability insurance benefits in such eighteenth month, or (ii) if he is not so insured in such month, which begins not earlier than with the first day of the first month after such eighteenth month in which he is so insured."

RETROACTIVE EFFECT OF APPLICATIONS FOR DISABILITY DETERMINATION

SEC. 203. Paragraph (4) of section 216 (i) of such Act is amended by striking out "July 1957" and inserting in lieu thereof "July 1960", by striking out "July 1958" and inserting in lieu thereof "July 1961", and by striking out ", if such individual does not die prior to July 1, 1955,".

INSURED STATUS REQUIREMENTS

Disability Freeze

SEC. 204. (a) Paragraph (3) of section 216 (i) of such Act is amended to read as follows:

"(3) The requirements referred to in clauses (A) and (B) of paragraphs (2) and (4) are satisfied by an individual with respect to any quarter only if—

"(A) he would have been a fully insured individual (as defined in section 214) had he attained retirement age and filed application for benefits under section 202 (a) on the first day of such quarter; and

"(B) he had not less than twenty quarters of coverage during the forty-quarter period which ends with such quarter, not counting as part of such forty-quarter period any quarter any part of which was included in a prior period of disability unless such quarter was a quarter of coverage."

Disability Insurance Benefits

(b) Section 223 (c) (1) (A) of such Act is amended by striking out "fully and currently insured" and inserting in lieu thereof "fully insured".

BENEFITS FOR THE DEPENDENTS OF DISABILITY INSURANCE BENEFICIARIES

Payments from Disability Insurance Trust Fund

SEC. 205. (a) The first sentence of section 201 (h) of such Act is amended by inserting ", and benefit payments required to be made under subsection (b), (c), or (d) of section 202 to individuals entitled to benefits on the basis of the wages and self-employment income of an individual entitled to disability insurance benefits," after "section 223".

Wife's Insurance Benefits

(b) (1) Subsection (b) of section 202 of such Act is amended by inserting "or disability" after "old-age" wherever it appears therein.

(2) So much of paragraph (1) of such subsection as follows the colon is amended by striking out "or" the first time it appears and inserting immediately before the period at the end of such paragraph ", or her husband ceases, prior to the month in which he attains retirement age, to be entitled to disability insurance benefits".

Husband's Insurance Benefits

(c) (1) Subparagraph (C) of subsection (c) (1) of such section 202 is amended to read as follows:

"(C) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary, from such individual—

"(i) if she had a period of disability which did not end prior to the month in which she became entitled to old-age or disability insurance benefits, at the beginning of such period or at the time she became entitled to such benefits, or

"(ii) if she did not have such a period of disability, at the time she became entitled to such benefits,

and filed proof of such support within two years after the month in which she filed application with respect to such period of disability or after the month in which she became entitled to such benefits, as the case may be, or, if she did not have such a period, two years after the month in which she became entitled to such benefits, and"

(2) The remainder of such subsection (c) (1) is amended by inserting "or disability" after "old-age" wherever it appears therein.

(3) So much of such subsection (c) (1) as follows

the colon is further amended by striking out "or" the first time it appears and inserting immediately before the period at the end thereof ", or his wife ceases, prior to the month in which she becomes entitled to old-age insurance benefits, to be entitled to disability insurance benefits".

Child's Insurance Benefits

(d) Section 202 (d) (1) of such Act is amended to read as follows:

"(d) (1) Every child (as defined in section 216 (e)), of an individual entitled to old-age or disability insurance benefits, or of an individual who dies a fully or currently insured individual after 1939, if such child—

"(A) has filed application for child's insurance benefits,

"(B) at the time such application was filed was unmarried and either (i) had not attained the age of eighteen or (ii) was under a disability (as defined in section 223 (c)) which began before he attained the age of eighteen, and

"(C) was dependent upon such individual—

"(i) if such individual had a period of disability which did not end prior to the month in which he became entitled to old-age or disability insurance benefits or (if he has died) prior to the month in which he died, at the beginning of such

period or at the time he became entitled to such benefits or died,

"(ii) if such individual did not have such a period and is living, at the time such application was filed, or

"(iii) if such individual did not have such a period and has died, at the time of such death,

shall be entitled to a child's insurance benefit for each month, beginning with the first month after August 1950 in which such child becomes so entitled to such insurance benefits and ending with the month preceding the first month in which any of the following occurs: such child dies, marries, is adopted (except for adoption by a stepparent, grandparent, aunt, or uncle subsequent to the death of such fully or currently insured individual), attains the age of eighteen and is not under a disability (as defined in section 223 (c)) which began before he attained such age, or ceases to be under a disability (as so defined) on or after the day on which he attains age eighteen. Entitlement of any child to benefits under this subsection on the basis of the wages and self-employment income of an individual entitled to disability insurance benefits shall also end with the month before the month in which such individual ceases to be entitled to such benefits unless such individual is, for the month in which he

ceases to be so entitled, entitled to old-age insurance benefits or unless he dies in such month."

Widower's Insurance Benefits

(e) Subparagraph (D) of section 202 (f) (1) of such Act is amended to read as follows:

"(D) (i) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary, from such individual at the time of her death or, if such individual had a period of disability which did not end prior to the month in which she died, at the time such period began or at the time of her death, and filed proof of such support within two years after the date of such death, or, if she had such a period of disability, within two years after the month in which she filed application with respect to such period of disability or two years after the date of such death, as the case may be, or (ii) was receiving at lease one-half of his support, as determined in accordance with regulations prescribed by the Secretary, from such individual, and she was a currently insured individual, at the time she became entitled to old-age or disability insurance benefits or, if such individual had a period of disability which did not end prior to the month in which she became so entitled, at the time such period

began or at the time she became entitled to such benefits, and filed proof of such support within two years after the month in which she became entitled to such benefits, or, if she had such a period of disability, within two years after the month in which she filed application with respect to such period of disability or two years after the month in which she became entitled to such benefits, as the case may be, and".

Mother's Insurance Benefits

(f) Section 202 (g) (1) (F) of such Act is amended by inserting "or, if such individual had a period of disability which did not end prior to the month in which he died, at the time such period began or at the time of such death" after "death".

Parent's Insurance Benefits

(g) Subparagraph (B) of section 202 (h) (1) of such Act is amended to read as follows:

"(B) (i) was receiving at least one-half of his support from such individual at the time of such individual's death or, if such individual had a period of disability which did not end prior to the month in which he died, at the time such period began or at the time of such death, and (ii) filed proof of such support within two years after the date of such death, or, if such individual had such a period of disability, within two

years after the month in which such individual filed application with respect to such period of disability or two years after the date of such death, as the case may be,".

Simultaneous Entitlement to Benefits

(h) Section 202 (k) of such Act is amended by inserting "or disability" after "old-age" each time it appears therein.

Adjustment of Benefits of Female Beneficiaries

(i) (1) Subparagraph (B) of paragraph (5) of section 202 (q) of such Act is amended to read as follows:

"(B) the number equal to the number of months for which the wife's insurance benefit was reduced under such paragraph (2), but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203 (b), under section 203 (c), or under section 222 (b),".

(2) Such paragraph is further amended by striking out the period at the end of subparagraph (C) and inserting in lieu thereof ", and", by striking out "(A), (B), and (C)" in the material following subparagraph (C) and inserting in lieu thereof "(A), (B), (C), and (D)", and by adding after subparagraph (C) the following new subparagraph:

"(D) the number equal to the number of months for which such wife's insurance benefit was reduced un-

der such paragraph (2), but in or after which her entitlement to wife's insurance benefits was terminated because her husband ceases to be under a disability, not including in such number of months any month after such termination in which she was entitled to wife's insurance benefits.".

(3) Subparagraph (A) of paragraph (6) of such section 202 (q) is amended to read as follows:

"(A) the number equal to the number of months for which such benefit was reduced under such paragraph, but for which such benefit was subject to deductions under paragraph (1) or (2) of section 203 (b), under section 203 (c), or under section 222 (b), and".

(4) Such paragraph is further amended by striking out the period at the end of subparagraph (C) and inserting in lieu thereof ", and", by striking out "(A), (B), and (C)" in the material following subparagraph (C) and inserting in lieu thereof "(A), (B), (C), and (D)", and by adding after subparagraph (C) the following new subparagraph:

"(D) the number equal to the number of months for which such wife's insurance benefit was reduced under such paragraph, but in or after which her entitlement to wife's insurance benefits was terminated because her husband ceased to be under a disability, not includ-

ing in such number of months any month after such termination in which she was entitled to wife's insurance benefits.".

Deduction Provision

(j) Section 203 (c) of such Act is amended by inserting "based on the wages and self-employment income of an individual entitled to old-age insurance benefits" after "child's insurance benefit" the first time it appears therein.

Circumstances Under Which Deductions Not Required

(k) Section 203 (h) of such Act is amended to read as follows:

"Circumstances Under Which Deductions Not Required

"(h) In the case of any individual, deductions by reason of the provisions of subsection (b), (f), or (g) of this section, or the provisions of section 222 (b), shall, notwithstanding such provisions, be made from the benefits to which such individual is entitled only to the extent that such deductions reduce the total amount which would otherwise be paid, on the basis of the same wages and self-employment income, to such individual and the other individuals living in the same household."

Currently Insured Individual

(l) Section 214 (b) of such Act is amended by inserting "or disability" immediately after "old-age".

Rounding of Benefits

(m) Section 215 (g) of such Act is amended by striking out "sections 203 (a) and 224" and inserting in lieu thereof "section 203 (a)".

Deductions on Account of Refusal To Accept Rehabilitation Services

(n) Section 222 (b) of such Act is amended by inserting after paragraph (2) (added by section 307 (g) of this Act) the following new paragraph:

"(3) Deductions shall be made from any wife's, husband's, or child's insurance benefit based on the wages and self-employment income of an individual entitled to disability insurance benefits to which a wife, husband, or child is entitled until the total of such deductions equal such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month in which the individual, on the basis of whose wages and self-employment income such benefit was payable, refuses to accept rehabilitation services and deductions, on account of such refusal, are imposed under paragraph (1)."

Suspension of Benefits Based on Disability

(o) Section 225 of such Act is amended by adding at the end thereof the following new sentence: "Whenever the benefits of an individual entitled to a disability insurance benefit are suspended for any month, the benefits of any

individual entitled thereto under subsection (b), (c), or (d) of section 202 on the basis of the wages and self-employment income of such individual, shall be suspended for such month."

REPEAL OF REDUCTION OF BENEFITS BASED ON DISABILITY

SEC. 206. Section 224 of such Act is hereby repealed.

EFFECTIVE DATES

SEC. 207. (a) The amendments made by section 201 shall apply with respect to applications for a disability determination under section 216 (i) of the Social Security Act filed after June 1961. The amendments made by section 202 shall apply with respect to applications for disability insurance benefits under section 223 of such Act filed after December 1957. The amendments made by section 203 shall apply with respect to applications for a disability determination under such section 216 (i) filed after June 1958. The amendments made by section 204 shall apply with respect to (1) applications for disability insurance benefits under such section 223 or for a disability determination under such section 216 (i) filed on or after the date of enactment of this Act, and (2) applications for such benefits or for such a determination filed after 1957 and prior to such date of enactment if the applicant has not died prior to such date of enactment and if notice to the applicant of the Secretary's decision with respect thereto has not been given to him on or

prior to such date, except that (A) no benefits under title II of the Social Security Act for the month in which this Act is enacted or any prior month shall be payable or increased by reason of the amendments made by section 204 of this Act, and (B) the provisions of section 215 (f) (1) of the Social Security Act shall not prevent recomputation of monthly benefits under section 202 of such Act (but no such recomputation shall be regarded as a recomputation for purposes of section 215 (f) of such Act). The amendments made by section 205 (other than by subsection (k)) shall apply with respect to monthly benefits under title II of the Social Security Act for months after the month in which this Act is enacted, but only if an application for such benefits is filed on or after the date of enactment of this Act. The amendments made by section 206 and by subsection (k) of section 205 shall apply with respect to monthly benefits under title II of the Social Security Act for the month in which this Act is enacted and succeeding months.

(b) In the case of any husband, widower, or parent who would not be entitled to benefits under section 202 (c), section 202 (f), and section 202 (h), respectively, of the Social Security Act except for the enactment of section 205 of this Act, the requirement in such section 202 (c), sec-

tion 202 (f), or section 202 (h), as the case may be, that proof of support be filed within a two-year period shall not apply if such proof is filed within two years after the month in which this Act is enacted.

TITLE III—PROVISIONS RELATING TO ELIGIBILITY OF CLAIMANTS FOR SOCIAL SECURITY BENEFITS, AND MISCELLANEOUS PROVISIONS

ELIGIBILITY OF SPOUSE FOR DEPENDENTS OR SURVIVORS BENEFITS

Husband's Insurance Benefits

SEC. 301. (a) (1) Section 202 (c) of the Social Security Act is amended by redesignating paragraph (2) as paragraph (3) and adding after paragraph (1) the following new paragraph:

"(2) The requirement in paragraph (1) that the individual entitled to old-age or disability insurance benefits be a currently insured individual, and the provisions of subparagraph (C) of such paragraph, shall not be applicable in the case of any husband who—

"(A) in the month prior to the month of his marriage to such individual was entitled to, or on application

therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (f) or (h); or

"(B) in the month prior to the month of his marriage to such individual had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d)."

(2) Section 216 (f) of such Act is amended to read as follows:

"(f) The term 'husband' means the husband of an individual, but only if (1) he is the father of her son or daughter, (2) he was married to her for a period of not less than three years immediately preceding the day on which his application is filed, or (3) in the month prior to the month of his marriage to her (A) he was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (f) or (h) of section 202, or (B) he had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section."

Widow's Insurance Benefits

(b) (1) Subparagraph (B) of section 202 (e) (3) of such Act is amended by striking out "but she is not his widow (as defined in section 216 (c))" and inserting

in lieu thereof "which occurs within one year after such marriage and he did not die a fully insured individual".

(2) Section 216 (c) of such Act is amended to read as follows:

"(c) The term 'widow' (except when used in section 202 (i)) means the surviving wife of an individual, but only if (1) she is the mother of his son or daughter, (2) she legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (3) he legally adopted her son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (4) she was married to him at the time both of them legally adopted a child under the age of eighteen, (5) she was married to him for a period of not less than one year immediately prior to the day on which he died, or (6) in the month prior to the month of her marriage to him (A) she was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (e) or (h) of section 202, or (B) she had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section."

Widower's Insurance Benefits

(c) (1) Section 202 (f) of such Act is amended by redesignating paragraph (2) as paragraph (3) and by adding after paragraph (1) the following new paragraph:

"(2) The requirement in paragraph (1) that the deceased fully insured individual also be a currently insured individual, and the provisions of subparagraph (D) of such paragraph, shall not be applicable in the case of any individual who—

"(A) in the month prior to the month of his marriage to such individual was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under this subsection or subsection (h); or

"(B) in the month prior to the month of his marriage to such individual had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d)."

(2) Section 216 (g) of such Act is amended to read as follows:

"(g) The term 'widower' (except when used in section 202 (i)) means the surviving husband of an individual, but only if (1) he is the father of her son or daughter, (2) he legally adopted her son or daughter while he was married to her and while such son or daughter was under the age

of eighteen, (3) she legally adopted his son or daughter while he was married to her and while such son or daughter was under the age of eighteen, (4) he was married to her at the time both of them legally adopted a child under the age of eighteen, (5) he was married to her for a period of not less than one year immediately prior to the day on which she died, or (6) in the month before the month of his marriage to her (A) he was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (f) or (h) of section 202, or (B) he had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section."

Definition of Wife

(d) Section 216 (b) of such Act is amended by striking out "or" at the end of the clause (1), and by inserting before the period at the end thereof: ", or (3) in the month prior to the month of her marriage to him (A) was entitled to, or on application therefor and attainment of retirement age in such prior month would have been entitled to, benefits under subsection (e) or (h) of section 202, or (B) had attained age eighteen and was entitled to, or on application therefor would have been entitled to, benefits under subsection (d) of such section".

Definition of Former Wife Divorced

(c) Section 216 (d) of such Act is amended to read as follows:

"(d) The term 'former wife divorced' means a woman divorced from an individual, but only if (1) she is the mother of his son or daughter, (2) she legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, (3) he legally adopted her son or daughter while she was married to him and while such son or daughter was under the age of eighteen, or (4) she was married to him at the time both of them legally adopted a child under the age of eighteen."

Effective Date

(f) The amendments made by this section shall apply with respect to monthly benefits under section 202 of the Social Security Act for months beginning after the date of enactment of this Act, but only if an application for such benefits is filed on or after such date.

ELIGIBILITY OF CHILD FOR DEPENDENTS OR SURVIVORS BENEFITS

Definition of Child

SEC. 302. (a) Section 216 (e) of such Act is amended to read as follows:

"(e) The term 'child' means (1) the child or legally adopted child of an individual, and (2) in the case of a

living individual, a stepchild who has been such stepchild for not less than three years immediately preceding the day on which application for child's benefits is filed, and (3) in the case of a deceased individual, a stepchild who has been such stepchild for not less than one year immediately preceding the day on which such individual died. For purposes of clause (1), a person shall be deemed, as of the date of death of an individual, to be the legally adopted child of such individual if such person was at the time of such individual's death living in such individual's household and was legally adopted by such individual's surviving spouse after such individual's death but before the end of two years after the day on which such individual died; except that this sentence shall not apply if at the time of such individual's death such person was receiving regular contributions toward his support from someone other than such individual or his spouse, or from any public or private welfare organization which furnishes services or assistance for children."

Effective Date

(b) The amendment made by this section shall apply with respect to monthly benefits under section 202 of the Social Security Act for months beginning after the date of enactment of this Act, but only if an application for such benefits is filed on or after such date.

ELIGIBILITY OF REMARRIED WIDOWS FOR MOTHER'S INSURANCE BENEFITS

SEC. 303. Section 202 (g) of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(3) In the case of any widow or former wife divorced of an individual—

"(A) who marries another individual, and

"(B) whose marriage to the individual referred to in subparagraph (A) is terminated by his death but she is not his widow as defined in section 216 (c),

the marriage to the individual referred to in clause (A) shall, for the purpose of paragraph (1), be deemed not to have occurred. No benefits shall be payable under this subsection by reason of the preceding sentence for any month prior to whichever of the following is the latest: (i) the month in which the death referred to in subparagraph (B) of the preceding sentence occurs, (ii) the twelfth month before the month in which such widow or former wife divorced files application for purposes of this paragraph, or (iii) the month following the month in which this paragraph is enacted."

ELIGIBILITY FOR PARENT'S INSURANCE BENEFITS

Provisions Relating to Eligibility

SEC. 304. (a) (1) So much of section 202 (h) (1) of the Social Security Act as precedes subparagraph (A) is amended to read as follows:

"(1) Every parent (as defined in this subsection) of an individual who died a fully insured individual after 1939, if such parent—".

(2) The amendment made by this subsection shall apply with respect to monthly benefits under section 202 of the Social Security Act for months beginning after the date of enactment of this Act, but only if an application for such benefits is filed on or after such date.

Deaths Before Effective Date

(b) Where—

(1) one or more persons were entitled (without the application of section 202 (j) (1) of the Social Security Act) to monthly benefits under section 202 of such Act for the month in which this Act is enacted on the basis of the wages and self-employment income of an individual; and

(2) a person is entitled to a parent's insurance

benefit under section 202 (h) of the Social Security Act for any subsequent month on the basis of such wages and self-employment income and such person would not be entitled to such benefit but for the enactment of this section; and

(3) the total of the benefits to which all persons are entitled under section 202 of the Social Security Act on the basis of such wages and self-employment income for such subsequent month are reduced by reason of the application of section 203 (a) of such Act,

then the amount of the benefit to which each such person referred to in paragraph (1) of this subsection is entitled for such subsequent month shall be increased, after the application of such section 203 (a), to the amount it would have been if no person referred to in paragraph (2) of this subsection was entitled to a parent's insurance benefit for such subsequent month on the basis of such wages and self-employment income.

Proof of Support in Cases of Deaths Before Effective Date

(c) In the case of any parent who would not be entitled to parent's benefits under section 202 (h) of the Social Security Act except for the enactment of this section, the requirement in such section 202 (h) that proof of support be filed within two years of the date of death of the insured individual referred to therein shall not apply if such proof is filed within

the two-year period beginning with the first day of the month after the month in which this Act is enacted.

ELIGIBILITY FOR LUMP-SUM DEATH PAYMENTS

Requirement That Surviving Spouse Be a Member of Deceased's Household

SEC. 305. (a) The first sentence of section 202 (i) of the Social Security Act is amended by inserting "in the same household" after "living".

Provisions Relating to Widows and Widowers

(b) Section 216 (h) of such Act is amended by striking out paragraph (3).

Effective Date

(c) The amendments made by this section shall apply in the case of lump-sum death payments under such section 202 (i) on the basis of the wages and self-employment income of any individual who dies after the month in which this Act is enacted.

ELIGIBILITY OF DISABLED PERSONS FOR CHILD'S INSURANCE BENEFITS

Provisions Relating to Dependency

SEC. 306. (a) Section 202 (d) of the Social Security Act is amended by striking out "who has not attained the age of eighteen" each place it appears in paragraphs (3), (4), and (5) thereof, and by striking out paragraph (6).

Effective Date

(b) The amendments made by this section shall apply with respect to monthly benefits under section 202 of the Social Security Act for months beginning after the date of enactment of this Act, but only if an application for such benefits is filed on or after such date.

ELIMINATION OF MARRIAGE AS BASIS FOR TERMINATING CERTAIN SURVIVORS BENEFITS

Child's Insurance Benefits

SEC. 307. (a) Section 202 (d) of the Social Security Act is amended by inserting immediately after paragraph (5) thereof the following new paragraph:

"(6) In the case of a child who has attained the age of eighteen and who marries—

"(A) an individual entitled to benefits under subsection (a), (e), (f), (g), or (h) of this section or under section 223 (a), or

"(B) another individual who has attained the age of eighteen and is entitled to benefits under this subsection,

such child's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1), not be terminated by reason of such marriage; except that, in the case of such a marriage to a male individual entitled to benefits under section 223 (a) or this subsection, the pre-

ceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under section 223 (a) or this subsection unless (i) he ceases to be so entitled by reason of his death or (ii) in the case of an individual who was entitled to benefits under section 223 (a), he is entitled, for the month following such last month, to benefits under subsection (a) of this section."

Widow's Insurance Benefits

(b) Section 202 (e) of such Act is amended by inserting at the end thereof the following new paragraph:

"(4) In the case of a widow who marries—

"(A) an individual entitled to benefits under subsection (f) or (h) of this section, or

"(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d),

such widow's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1), not be terminated by reason of such marriage; except that, in the case of such a marriage to an individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under subsection (d) unless he ceases to be so entitled by reason of his death."

Widower's Insurance Benefits

(c) Section 202 (f) of such Act is amended by adding at the end thereof the following new paragraph:

"(4) In the case of a widower who marries—

"(A) an individual entitled to benefits under subsection (e), (g), or (h), or

"(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d),

such widower's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1), not be terminated by reason of such marriage."

Mother's Insurance Benefits

(d) Section 202 (g) of such Act is amended by adding after paragraph (3) (added by section 303 of this Act) the following new paragraph:

"(4) In the case of a widow or former wife divorced who marries—

"(A) an individual entitled to benefits under subsection (a), (f), or (h), or under section 223 (a), or

"(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d),

the entitlement of such widow or former wife divorced to benefits under this subsection shall, notwithstanding the provisions of paragraph (1), not be terminated by reason of such marriage; except that, in the case of such a marriage

to an individual entitled to benefits under section 223 (a) or subsection (d) of this section, the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under section 223 (a) or subsection (d) of this section unless (i) he ceases to be so entitled by reason of his death or (ii) in the case of an individual who was entitled to benefits under section 223 (a), he is entitled, for the month following such last month, to benefits under subsection (a) of this section."

Parent's Insurance Benefits

(e) Section 202 (h) of such Act is amended by adding at the end thereof the following new paragraph:

"(4) In the case of a parent who marries—

"(A) an individual entitled to benefits under this subsection or subsection (e), (f), or (g), or

"(B) an individual who has attained the age of eighteen and is entitled to benefits under subsection (d),

such parent's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1), not be terminated by reason of such marriage; except that, in the case of such a marriage to a male individual entitled to benefits under subsection (d), the preceding provisions of this paragraph shall not apply with respect to benefits

for months after the last month for which such individual is entitled to such benefits under subsection (d) unless he ceases to be so entitled by reason of his death."

Deduction Provisions

(f) Subsection (c) of section 203 of such Act is amended by inserting "(1)" after "(c)", by redesignating subparagraphs (1) and (2) as subparagraphs (A) and (B), respectively, by striking out "paragraph (1)" and inserting in lieu thereof "subparagraph (A)", and by adding at the end of such subsection the following new paragraph:

"(2) Deductions shall be made from any child's insurance benefit to which a child who has attained the age of eighteen is entitled or from any mother's insurance benefit to which a person is entitled until the total of such deductions equals such child's insurance benefit or benefits or mother's insurance benefit or benefits under section 202 for any month—

"(A) in which such child or person entitled to mother's insurance benefit is married to an individual entitled to old-age insurance benefits under section 202 (a) who is under the age of seventy-two and for which month such individual is charged with any earnings under the provisions of subsection (e) of this section, or

"(B) in which such child or person entitled to mother's insurance benefits is married to the individual referred to in subparagraph (A) and on seven or more different calendar days of which such individual engaged in noncovered remunerative activity outside the United States."

Deductions on Account of Refusal To Accept Rehabilitation Services

(g) Section 222 (b) of such Act is amended by inserting "(1)" after "(b)", and by adding at the end thereof the following new paragraph:

"(2) Deductions shall be made from any child's insurance benefit to which a child who has attained the age of eighteen is entitled or from any mother's insurance benefit to which a person is entitled until the total of such deductions equals such child's insurance benefit or benfits or mother's insurance benefit or benefits under section 202 for any month in which such child or person entitled to mother's insurance benefits is married to an individual who is entitled to disability insurance benefits and in which such individual refuses to accept rehabilitation services and a deduction, on account of such refusal, is imposed under paragraph (1). If both this paragraph and paragraph (3) are applicable to a child's insurance benefit for any month, only an amount equal to such benefit shall be deducted."

Effective Date

(h) (1) The amendments made by this section (other than by subsections (f) and (g)) shall apply with respect to monthly benefits under section 202 of the Social Security Act for months following the month in which this Act is enacted; except that in any case in which benefits were terminated with the close of the month in which this Act is enacted or any prior month and, if the amendments made by this section had been in effect for such month, such benefits would not have been terminated, the amendments made by this section shall apply with respect to monthly benefits under section 202 of the Social Security Act for months beginning after the date of enactment of this Act, but only if an application for such benefits is filed after such date.

(2) The amendment made by subsection (f) shall apply with respect to monthly benefits under section 202 (d) of the Social Security Act for months in any taxable year, of the individual on the basis of whose wages and self-employment income such benefits are payable, beginning after the month in which this Act is enacted.

(3) The amendments made by subsection (g) shall apply with respect to monthly benefits under section 202 of the Social Security Act for months, occurring after the month in which this Act is enacted, in which a deduction is incurred

under paragraph (1) of section 222 (b) of the Social Security Act.

AMOUNT WHICH MAY BE EARNED WITHOUT LOSS OF BENEFITS

SEC. 308. (a) Section 203 (e) (2) of such Act is amended by striking out "last month" and "preceding month" wherever they appear and substituting in lieu thereof "first month" and "succeeding month", respectively.

(b) Section 203 (e) (3) (A) of such Act is amended by striking out "the term 'last month of such taxable year' means the latest month" and substituting in lieu thereof "the term 'first month of such taxable year' means the earliest month".

(c) Subsections (e) (2) (D) and (e) (3) (B) (ii) of section 203 of such Act are each amended by striking out "$80" and inserting in lieu thereof "$100".

(d) Section 203 (g) (1) of such Act is amended to read as follows:

"(g) (1) (A) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has earnings or wages, as computed pursuant to paragraph (4) of subsection (e), in excess of the product of $100 times the number of months

in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Secretary of his earnings (or wages) for such taxable year. Such report shall be made on or before the fifteenth day of the fourth month following the close of such year, and shall contain such information and be made in such manner as the Secretary may by regulations prescribe. Such report need not be made for any taxable year (i) beginning with or after the month in which such individual attained the age of 72, or (ii) if benefit payments for all months (in such taxable year) in which such individual is under age 72 have been suspended for all such months of such year under the provisions of the first sentence of paragraph (3) of this subsection.

"(B) If the benefit payments of an individual have been suspended for all months in any taxable year under the provisions of the first sentence of paragraph (3) of subsection (g), no benefit payment shall be made to such individual for any such month in such taxable year after the expiration of the period of three years, three months, and fifteen days following the close of such taxable year unless within such period the individual, or some other person entitled to benefits under this title on the basis of the same wages and self-employment income, files with the Secretary

information showing that a benefit for such month is payable to such individual."

(e) Section 208 (l) of such Act is amended by striking out "(g)" and inserting in lieu thereof "(g) (1) (A)".

(f) The amendments made by this section shall be applicable with respect to taxable years beginning after the month in which this Act is enacted.

REPRESENTATION OF CLAIMANTS BEFORE SECRETARY OF HEALTH, EDUCATION, AND WELFARE

SEC. 309. The second sentence of section 206 of the Social Security Act is amended by striking out "upon filing with the Administrator a certificate of his right to so practice from the presiding judge or clerk of any such court".

OFFENSES UNDER TITLE II OF THE SOCIAL SECURITY ACT

SEC. 310. Section 208 of the Social Security Act is amended to read as follows:

"PENALTIES

"SEC. 208. Whoever—

"(a) for the purpose of causing an increase in any payment authorized to be made under this title, or for the purpose of causing any payment to be made where no payment is authorized under this title, shall make or cause to be made any false statement or representation

(including any false statement or representation in connection with any matter arising under subchapter E of chapter 1, or subchapter A or E of chapter 9 of the Internal Revenue Code of 1939, or chapter 2 or 21 or subtitle F of the Internal Revenue Code of 1954) as to—

"(1) whether wages were paid or received for employment (as said terms are defined in this title and the Internal Revenue Code), or the amount of wages or the period during which paid or the person to whom paid; or

"(2) whether net earnings from self-employment (as such term is defined in this title and in the Internal Revenue Code) were derived, or as to the amount of such net earnings or the period during which or the person by whom derived; or

"(3) whether a person entitled to benefits under this title had earnings in or for a particular period (as determined under section 203 (e) of this title for purposes of deductions from benefits), or as to the amount thereof; or

"(b) makes or causes to be made any false statement or representation of a material fact in any application for any payment or for a disability determination under this title; or

"(c) at any time makes or causes to be made any

false statement or representation of a material fact for use in determining rights to payment under this title; or

"(d) having knowledge of the occurrence of any event affecting (1) his initial or continued right to any payment under this title, or (2) the initial or continued right to any payment of any other individual in whose behalf he has applied for or is receiving such payment, conceals or fails to disclose such event with an intent fraudulently to secure payment either in a greater amount than is due or when no payment is authorized; or

"(e) having made application to receive payment under this title for the use and benefit of another and having received such a payment, knowingly and willfully converts such a payment, or any part thereof, to a use other than for the use and benefit of such other person;

shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than $1,000 or imprisoned for not more than one year, or both."

SICK-LEAVE PAY OF STATE AND LOCAL EMPLOYEES

SEC. 311. (a) Subsection (i) of section 209 of the Social Security Act is amended by inserting immediately before the semicolon a period and the following: "As used in this subsection, the term 'sick pay' includes remuneration for service in the employ of a State, or a political subdivision

(as defined in section 218 (b) (2)) of a State, or an instrumentality of two or more States, paid to an employee thereof for a period during which he was absent from work because of sickness".

(b) The amendment made by subsection (a) shall be applicable to remuneration paid after the enactment of this Act, except that, in the case of any coverage group which is included under the agreement of a State under section 218 of the Social Security Act, the amendment made by subsection (a) shall also be applicable to remuneration for any member of such coverage group with respect to services performed after the effective date, specified in such agreement, for such coverage group, if such State has paid or agrees, prior to January 1, 1959, to pay, prior to such date, the amounts which under section 218 (e) would have been payable with respect to remuneration of all members of such coverage group had the amendment made by subsection (a) been in effect on and after January 1, 1951. Failure by a State to make such payments prior to January 1, 1959, shall be treated the same as failure to make payments when due under section 218 (e).

EXTENSION OF COVERAGE IN CONNECTION WITH GUM RESIN PRODUCTS

SEC. 312. (a) Section 210 (a) (1) of the Social Security Act is amended to read as follows:

"(1) Service performed by foreign agricultural

workers (A) under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended, or (B) lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies, or from any other foreign country or possession thereof, on a temporary basis to perform agricultural labor;".

(b) The amendment made by subsection (a) shall apply with respect to service performed after 1958.

EMPLOYMENT FOR NONPROFIT ORGANIZATION

SEC. 313. (a) Section 210 (a) (8) (B) of title II of the Social Security Act is amended to read as follows:

"(B) Service performed in the employ of a religious, charitable, educational, or other organization described in section 501 (c) (3) of the Internal Revenue Code of 1954, which is exempt from income tax under section 501 (a) of such Code, but this subparagraph shall not apply to service performed during the period for which a certificate, filed pursuant to section 3121 (k) of the Internal Revenue Code of 1954, is in effect if such service is performed by an employee—

"(i) whose signature appears on the list filed by such organization under such section 3121 (k),

"(ii) who became an employee of such organi-

zation after the calendar quarter in which the certificate (other than a certificate referred to in clause (iii)) was filed, or

"(iii) who, after the calendar quarter in which the certificate was filed with respect to a group described in paragraph (1) (E) of such section 3121 (k), became a member of such group,

except that this subparagraph shall apply with respect to service performed by an employee as a member of a group described in such paragraph (1) (E) with respect to which no certificate is in effect;".

(b) The amendment made by subsection (a) shall apply with respect to certificates filed under section 3121 (k) (1) of the Internal Revenue Code of 1954 after the date of enactment of this Act.

PARTNER'S TAXABLE YEAR ENDING AS RESULT OF DEATH

SEC. 314. (a) Section 211 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"Partner's Taxable Year Ending as Result of Death

"(f) In computing a partner's net earnings from self-employment for his taxable year which ends as a result of his death (but only if such taxable year ends within, and not with, the taxable year of the partnership), there shall be in-

cluded so much of the deceased partner's distributive share of the partnership's ordinary income or loss for the partnership taxable year as is not attributable to an interest in the partnership during any period beginning on or after the first day of the first calendar month following the month in which such partner died. For purposes of this subsection—

"(1) in determining the portion of the distributive share which is attributable to any period specified in the preceding sentence, the ordinary income or loss of the partnership shall be treated as having been realized or sustained ratably over the partnership taxable year; and

"(2) the term 'deceased partner's distributive share' includes the share of his estate or of any other person succeeding, by reason of his death, to rights with respect to his partnership interest."

(b) The amendment made by subsection (a) shall apply—

(1) with respect to individuals who die after the date of the enactment of this Act, and

(2) with respect to any individual who died after 1955 and on or before the date of the enactment of this Act, but only if the requirements of section 403 (b) (2) of this Act are met.

GRATUITOUS WAGE CREDITS FOR AMERICAN CITIZENS WHO SERVED IN THE ARMED FORCES OF ALLIED COUNTRIES

General Rule

SEC. 315. (a) Section 217 of such Act is amended by adding at the end thereof the following new subsection:

"(h) (1) For the purposes of this section and section 215 (d), any individual who the Secretary finds—

"(A) served during World War II (as defined in subsection (d) (1)) in the active military or naval service of a country which was on September 16, 1940, at war with a country with which the United States was at war during World War II;

"(B) entered into such active service on or before December 8, 1941;

"(C) was a citizen of the United States throughout such period of service or lost his United States citizenship solely because of his entrance into such service;

"(D) had resided in the United States for a period or periods aggregating four years during the five-year period ending on the day of, and was domiciled in the United States on the day of, such entrance into such active service; and

"(E) (i) was discharged or released from such

service under conditions other than dishonorable after active service of ninety days or more or by reason of a disability or injury incurred or aggravated in service in line of duty, or

"(ii) died while in such service,

shall be considered a World War II veteran (as defined in subsection (d) (2)) and such service shall be considered to have been performed in the active military or naval service of the United States.

"(2) In the case of any individual to whom paragraph (1) applies, proof of support required under section 202 (h) may be filed by a parent at any time prior to the expiration of two years after the date of such individual's death or the date of the enactment of this subsection, whichever is the later."

Reimbursement to Disability Insurance Trust Fund

(b) (1) Section 217 (g) (1) of the Social Security Act is amended by deleting "Trust Fund" and inserting in lieu thereof "Trust Funds".

(2) Section 217 (g) (2) of the Social Security Act is amended by deleting "the Trust Fund" each time it appears therein and inserting in lieu thereof "the Federal Old-Age and Survivors Insurance Trust Fund" the first time and "such Trust Fund" the other times.

Effective Date

(c) (1) The amendment made by subsection (a) shall apply only with respect to (A) monthly benefits under sections 202 and 223 of the Social Security Act for months after the month in which this Act is enacted, (B) lump-sum death payments under such section 202 in the case of deaths occurring after the month in which this Act is enacted, and (C) periods of disability under section 216 (i) in the case of applications for a disability determination filed after the month in which this Act is enacted.

(2) In the case of any individual—

(A) who is a World War II veteran (as defined in section 217 (d) (2) of the Social Security Act) wholly or partly by reason of service described in section 217 (h) (1) (A) of such Act; and

(B) who (i) became entitled to old-age insurance benefits under section 202 (a) of the Social Security Act or to disability insurance benefits under section 223 of such Act prior to the first day of the month following the month in which this Act is enacted, or (ii) died prior to such first day, and whose widow, former wife divorced, widower, child, or parent is entitled for the month in which this Act is enacted, on the basis of his wages and self-employment income, to a monthly benefit under section 202 of such Act; and

(C) any part of whose service described in section 217 (h) (1) (A) of the Social Security Act was not included in the computation of his primary insurance amount under section 215 of such Act but would have been included in such computation if the amendment made by subsection (a) of this section had been effective prior to the date of such computation,

the Secretary of Health, Education, and Welfare shall, notwithstanding the provisions of section 215 (f) (1) of the Social Security Act, recompute the primary insurance amount of such individual upon the filing of an application, after the month in which this Act is enacted, by him or (if he has died without filing such an application) by any person entitled to monthly benefits under section 202 of the Social Security Act on the basis of his wages and self-employment income. Such recomputation shall be made only in the manner provided in title II of the Social Security Act as in effect at the time of the last previous computation or recomputation of such individual's primary insurance amount, and as though application therefor was filed in the month in which application for such last previous computation or recomputation was filed. No recomputation made under this subsection shall be regarded as a recomputation under section 215 (f) of the Social Security Act. Any such recomputation shall be effective for and after the twelfth

month before the month in which the application is filed, but in no case for the month in which this Act is enacted or any prior month.

POSITIONS COVERED BY STATE AND LOCAL RETIREMENT SYSTEMS

Division of Retirement Systems

SEC. 316. (a) (1) Section 218 (d) (6) of the Social Security Act is amended to read as follows:

"(6) (A) If a retirement system covers positions of employees of the State and positions of employees of one or more political subdivisions of the State, or covers positions of employees of two or more political subdivisions of the State, then, for purposes of the preceding paragraphs of this subsection, there shall, if the State so desires, be deemed to be a separate retirement system with respect to any one or more of the political subdivisions concerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State or with respect to the State and any one or more of the political subdivisions concerned.

"(B) If a retirement system covers positions of employees of one or more institutions of higher learning, then, for purposes of such preceding paragraphs there shall, if the State so desires, be deemed to be a separate retirement system for the employees of each such institution of higher

learning. For the purposes of this subparagraph, the term 'institutions of higher learning' includes junior colleges and teachers colleges.

"(C) For the purposes of this subsection, any retirement system established by the State of California, Connecticut, Florida, Georgia, Massachusetts, Minnesota, New York, North Dakota, Pennsylvania, Rhode Island, Tennessee, Washington, Wisconsin, or the Territory of Hawaii, or any political subdivision of any such State or Territory, which, on, before, or after the date of enactment of this subparagraph is divided into two divisions or parts, one of which is composed of positions of members of such system who desire coverage under an agreement under this section and the other of which is composed of positions of members of such system who do not desire such coverage, shall, if the State or Territory so desires and if it is provided that there shall be included in such division or part composed of members desiring such coverage the positions of individuals who become members of such system after such coverage is extended, be deemed to be a separate retirement system with respect to each such division or part.

"(D) The position of any individual which is covered by any retirement system to which subparagraph (C) is applicable shall, if such individual is ineligible to become a member of such system on August 1, 1956, or, if later, the day

he first occupies such position, be deemed to be covered by the separate retirement system consisting of the positions of members of the division or part who do not desire coverage under the insurance system established under this title.

"(E) An individual who is in a position covered by a retirement system to which subparagraph (C) is applicable and who is not a member of such system but is eligible to become a member thereof shall, for purposes of this subsection (other than paragraph (8)) be regarded as a member of such system; except that, in the case of any retirement system a division or part of which is covered under the agreement (either in the original agreement or by a modification thereof), which coverage is agreed to prior to 1960, the preceding provisions of this subparagraph shall apply only if the State so requests and any such individual referred to in such preceding provisions shall, if the State so requests, be treated, after division of the retirement system pursuant to such subparagraph (C), the same as individuals in positions referred to in subparagraph (F).

"(F) In the case of any retirement system divided pursuant to subparagraph (C), the position of any member of the division or part composed of positions of members who do not desire coverage may be transferred to the separate retirement system composed of positions of members who desire such coverage if it is so provided in a modification of

such agreement which is mailed, or delivered by other means, to the Secretary prior to 1960 or, if later, the expiration of one year after the date on which such agreement, or the modification thereof making the agreement applicable to such separate retirement system, as the case may be, is agreed to, but only if, prior to such modification or such later modification, as the case may be, the individual occupying such position files with the State a written request for such transfer.

"(G) For the purposes of this subsection, in the case of any retirement system of the State of Florida, Georgia, Minnesota, North Dakota, Pennsylvania, Washington, or the Territory of Hawaii which covers positions of employees of such State or Territory who are compensated in whole or in part from grants made to such State or Territory under title III, there shall be deemed to be, if such State or Territory so desires, a separate retirement system with respect to any of the following:

"(i) the positions of such employees;

"(ii) the positions of all employees of such State or Territory covered by such retirement system who are employed in the department of such State or Territory in which the employees referred to in clause (i) are employed; or

"(iii) employees of such State or Territory covered by such retirement system who are employed in such department of such State or Territory in positions other than those referred to in clause (i)."

(2) Paragraph (7) of section 218 (d) of such Act is amended by striking out "(created under the fourth sentence of paragraph (6))" and inserting in lieu thereof "(created under subparagraph (C) of paragraph (6) or the corresponding provision of prior law)"; and by striking out "the fourth and fifth sentences of paragraph (6)" and inserting in lieu thereof "subparagraphs (C) and (D) of paragraph (6)".

(3) The second sentence of paragraph (2) of section 218 (k) of such Act is amended by striking out "the preceding sentence" and inserting in lieu thereof "the first sentence of this paragraph". The last sentence of such paragraph is amended by striking out "the fourth sentence of subsection (d) (6)" and inserting in lieu thereof "subparagraph (C) of subsection (d) (6)". Such paragraph is further amended by inserting after the first sentence the following new sentence: "An individual who is in a position covered by a retirement system divided pursuant to the preceding sentence and who is not a member of such system but is eligible to become a member thereof shall, for purposes of this subsection, be regarded as a member of such system.

Coverage under the agreement of any such individual shall be provided under the same conditions, to the extent practicable, as are applicable in the case of the States to which the provisions of subsection (d) (6) (C) apply."

Coverage Under Other Retirement Systems

(b) Section 218 (d) of such Act is amended by adding at the end thereof the following new paragraph:

"(8) (A) Notwithstanding paragraph (1), if under the provisions of this subsection an agreement is, after December 31, 1958, made applicable to service performed in positions covered by a retirement system, service performed by an individual in a position covered by such a system may not be excluded from the agreement because such position is also covered under another retirement system.

"(B) Subparagraph (A) shall not apply to service performed by an individual in a position covered under a retirement system if such individual, on the day the agreement is made applicable to service performed in positions covered by such retirement system, is not a member of such system and is a member of another system.

"(C) If an agreement is made applicable, prior to 1959, to service in positions covered by any retirement system, the preceding provisions of this paragraph shall be applicable in the case of such system if the agreement is modified to so provide.

"(D) Except in the case of agreements with the States named in subsection (p) and agreements with interstate instrumentalities, nothing in this paragraph shall authorize the application of an agreement to service in any policeman's or fireman's position."

Retroactive Coverage

(c) (1) Section 218 (f) of such Act is amended by inserting "(1)" immediately after "(f)", by redesignating clauses (1), (2), (3), and (4) thereof as clauses (A), (B), (C), and (D), respectively, and by adding at the end thereof the following new paragraph:

"(2) In the case of service performed by members of any coverage group—

"(A) to which an agreement under this section is made applicable, and

"(B) with respect to which the agreement, or modification thereof making the agreement so applicable, specifies an effective date earlier than the date of execution of such agreement and such modification, respectively,

the agreement shall, if so requested by the State, be applicable to such services (to the extent the agreement was not already applicable) performed before such date of execution and after such effective date by any individual as a member of such coverage group if he is such a member on

a date, specified by the State, which is earlier than such date of execution, except that in no case may the date so specified be earlier than the date such agreement or such modification, as the case may be, is mailed, or delivered by other means, to the Secretary."

(2) The amendment made by this subsection shall apply in the case of any agreement, or modification of an agreement, under section 218 of the Social Security Act, which is executed after the date of enactment of this Act.

POLICEMEN AND FIREMEN OF INTERSTATE INSTRUMENTALITIES

SEC. 317. Subsection (k) of section 218 of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(3) Any agreement with any instrumentality of two or more States entered into pursuant to this Act may, notwithstanding the provisions of subsection (d) (5) (A) and the references thereto in subsections (d) (1) and (d) (3), apply to service performed by employees of such instrumentality in any policeman's or fireman's position covered by a retirement system, but only upon compliance, to the extent practicable, with the requirements of subsection (d) (3). For the purpose of the preceding sentence, a retirement system which covers positions of policemen or firemen, or both, and other positions shall, if the instrumentality con-

cerned so desires, be deemed to be a separate retirement system with respect to the positions of such policemen or firemen, or both, as the case may be."

TITLE IV—AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1954

CHANGES IN TAX SCHEDULES

Self-Employment Income Tax

SEC. 401. (a) Section 1401 of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment income) is amended to read as follows:

"SEC. 1401. RATE OF TAX.

"In addition to other taxes, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

"(1) in the case of any taxable year beginning after December 31, 1958, and before January 1, 1960, the tax shall be equal to 3¾ percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1959, and before January 1, 1963, the tax shall be equal to 4½ percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning

after December 31, 1962, and before January 1, 1966, the tax shall be equal to 5¼ percent of the amount of the self-employment income for such taxable year;

"(4) in the case of any taxable year beginning after December 31, 1965, and before January 1, 1969, the tax shall be equal to 6 percent of the amount of the self-employment income for such taxable year; and

"(5) in the case of any taxable year beginning after December 31, 1968, the tax shall be equal to 6¼ percent of the amount of the self-employment income for such taxable year."

Tax on Employees

(b) Section 3101 of such Code (relating to rate of tax on employees under the Federal Insurance Contributions Act) is amended to read as follows:

"SEC. 3101. RATE OF TAX.

"In addition to other taxes, there is hereby imposed on the income of every individual a tax equal to the following percentages of the wages (as defined in section 3121 (a)) received by him with respect to employment (as defined in section 3121 (b))—

"(1) with respect to wages received during the calendar year 1959, the rate shall be 2½ percent;

"(2) with respect to wages received during the calendar years 1960 to 1962, both inclusive, the rate shall be 3 percent;

"(3) with respect to wages received during the calendar years 1963 to 1965, both inclusive, the rate shall be 3½ percent;

"(4) with respect to wages received during the calendar years 1966 to 1968, both inclusive, the rate shall be 4 percent; and

"(5) with respect to wages received after December 31, 1968, the rate shall be 4½ percent."

Tax on Employers

(c) Section 3111 of such Code (relating to rate of tax on employers under the Federal Insurance Contributions Act) is amended to read as follows:

"SEC. 3111. RATE OF TAX.

"In addition to other taxes, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 3121 (a)) paid by him with respect to employment (as defined in section 3121 (b))—

"(1) with respect to wages paid during the calendar year 1959, the rate shall be 2½ percent;

"(2) with respect to wages paid during the calen-

dar years 1960 to 1962, both inclusive, the rate shall be 3 percent;

"(3) with respect to wages paid during the calendar years 1963 to 1965, both inclusive, the rate shall be 3½ percent;

"(4) with respect to wages paid during the calendar years 1966 to 1968, both inclusive, the rate shall be 4 percent; and

"(5) with respect to wages paid after December 31, 1968, the rate shall be 4½ percent."

Effective Dates

(d) The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1958. The amendments made by subsections (b) and (c) shall apply with respect to remuneration paid after December 31, 1958.

INCREASE IN TAX BASE

Definition of Self-Employment Income

SEC. 402. (a) (1) Subparagraph (B) of section 1402 (b) (1) of the Internal Revenue Code of 1954 is amended to read as follows:

"(B) for any taxable year ending after 1954 and before 1959, (i) $4,200, minus (ii) the amount of the wages paid to such individual during the taxable year; and".

(2) Paragraph (1) of section 1402 (b) of such Code is further amended by adding at the end thereof the following new subparagraph:

"(C) for any taxable year ending after 1958, (i) $4,800, minus (ii) the amount of the wages paid to such individual during the taxable year; or".

Definition of Wages

(b) Section 3121 (a) of such Code (relating to the definition of wages) is amended by striking out "$4,200" wherever it appears and inserting in lieu thereof "$4,800".

Federal Service

(c) Section 3122 of such Code (relating to Federal service) is amended by striking out "$4,200" wherever it appears and inserting in lieu thereof "$4,800".

Refunds

(d) (1) Paragraph (1) of section 6413 (c) of such Code is amended to read as follows:

"(1) IN GENERAL.—If by reason of an employee receiving wages from more than one employer during a calendar year after the calendar year 1950 and prior to the calendar year 1955, the wages received by him during such year exceed $3,600, the employee shall be entitled (subject to the provisions of section 31 (b)) to a credit or refund of any amount of tax, with respect to such wages, imposed by section 1400 of the Internal Revenue

Code of 1939 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first $3,600 of such wages received; or if by reason of an employee receiving wages from more than one employer (A) during any calendar year after the calendar year 1954 and prior to the calendar year 1959, the wages received by him during such year exceed $4,200, or (B) during any calendar year after the calendar year 1958, the wages received by him during such year exceed provisions of section 31 (b)) to a credit or refund of any amount of tax, with respect to such wages, imposed by section 3101 and deducted from the employee's wages (whether or not paid to the Secretary or his delegate), which exceeds the tax with respect to the first $4,200 of such wages received in such calendar year after 1954 and before 1959, or which exceeds the tax with respect to the first $4,800 of such wages received in such calendar year after 1958."

(2) Subparagraph (A) of section 6413 (c) (2) of such Code is amended to read as follows:

"(A) FEDERAL EMPLOYEES.—In the case of remuneration received from the United States or a wholly owned instrumentality thereof during any calendar year, each head of a Federal agency or

instrumentality who makes a return pursuant to section 3122 and each agent, designated by the head of a Federal agency or instrumentality, who makes a return pursuant to such section shall, for purposes of this subsection, be deemed a separate employer, and the term 'wages' includes for purposes of this subsection the amount, not to exceed $3,600 for the calendar year 1951, 1952, 1953, or 1954, $4,200 for the calendar year 1955, 1956, 1957, or 1958, or $4,800 for any calendar year after 1958, determined by each such head or agent as constituting wages paid to an employee."

Effective Date

(e) The amendments made by subsections (b) and (c) shall be applicable only with respect to remuneration paid after 1958.

PARTNER'S TAXABLE YEAR ENDING AS RESULT OF DEATH

General Rule

SEC. 403. (a) Section 1402 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(f) PARTNER'S TAXABLE YEAR ENDING AS THE RESULT OF DEATH.—In computing a partner's net earnings from self-employment for his taxable year which ends as a result of his death (but only if such taxable year ends within

and not with, the taxable year of the partnership), there shall be included so much of the deceased partner's distributive share of the partnership's ordinary income or loss for the partnership taxable year as is not attributable to an interest in the partnership during any period beginning on or after the first day of the first calendar month following the month in which such partner died. For purposes of this subsection—

"(1) in determining the portion of the distributive share which is attributable to any period specified in the preceding sentence, the ordinary income or loss of the partnership shall be treated as having been realized or sustained ratably over the partnership taxable year; and

"(2) the term 'deceased partner's distributive share' includes the share of his estate or of any other person succeeding, by reason of his death, to rights with respect to his partnership interest."

Effective Date

(b) (1) Except as provided in paragraph (2), the amendment made by subsection (a) shall apply only with respect to individuals who die after the date of the enactment of this Act.

(2) In the case of an individual who died after 1955 and on or before the date of the enactment of this Act, the amendment made by subsection (a) shall apply only if—

(A) before January 1, 1960, there is filed a return (or amended return) of the tax imposed by chapter 2 of the Internal Revenue Code of 1954 for the taxable year ending as a result of his death, and

(B) in any case where the return is filed solely for the purpose of reporting net earnings from self-employment resulting from the amendment made by subsection (a), the return is accompanied by the amount of tax attributable to such net earnings.

In any case described in the preceding sentence, no interest or penalty shall be assessed or collected on the amount of any tax due under chapter 2 of such Code solely by reason of the operation of section 1402 (f) of such Code.

SERVICE IN CONNECTION WITH GUM RESIN PRODUCTS

SEC. 404. (a) Section 3121 (b) (1) of the Internal Revenue Code of 1954 (relating to definition of employment) is amended to read as follows:

"(1) service performed by foreign agricultural workers (A) under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended (65 Stat. 119; 7 U. S. C. 1461–1468), or (B) lawfully admitted to the United States from the Bahamas, Jamaica, and the other British West Indies, or from any other foreign country or possession thereof, on a temporary basis to perform agricultural labor;".

(b) The amendment made by subsection (a) shall apply with respect to service performed after 1958.

NONPROFIT ORGANIZATION'S WAIVER CERTIFICATES

SEC. 405. (a) Section 3121 (k) (1) of the Internal Revenue Code of 1954 is amended to read as follows:

"(1) WAIVER OF EXEMPTION BY ORGANIZATION.—

"(A) An organization described in section 501 (c) (3) which is exempt from income tax under section 501 (a) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this chapter) certifying that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees and that at least two-thirds of its employees concur in the filing of the certificate. Such certificate may be filed only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee who concurs in the filing of the certificate. Such list may be amended at any time prior to the expiration of the twenty-fourth month following the calendar quarter in which the certificate is filed by filing with the prescribed official a supplemental list or

lists containing the signature, address, and social security account number (if any) of each additional employee who concurs in the filing of the certificate. The list and any supplemental list shall be filed in such form and manner as may be prescribed by regulations made under this chapter.

"(B) The certificate shall be in effect (for purposes of subsection (b) (8) (B) and for purposes of section 210 (a) (8) (B) of the Social Security Act) for the period beginning with whichever of the following may be designated by the organization:

"(i) the first day of the calendar quarter in which the certificate is filed,

"(ii) the first day of the calendar quarter succeeding such quarter, or

"(iii) the first day of any calendar quarter preceding the calendar quarter in which the certificate is filed, except that, in the case of a certificate filed prior to January 1, 1960, such date may not be earlier than January 1, 1956, and in the case of a certificate filed after 1959, such date may not be earlier than the first day of the fourth calendar quarter preceding the quarter in which such certificate is filed.

"(C) In the case of service performed by an employee whose name appears on a supplemental list filed after the first month following the calendar quarter in which the certificate is filed, the certificate shall be in effect (for purposes of subsection (b) (8) (B) and for purposes of section 210 (a) (8) (B) of the Social Security Act) only with respect to service performed by such individual for the period beginning with the first day of the calendar quarter in which such supplemental list is filed.

"(D) The period for which a certificate filed pursuant to this subsection or the corresponding subsection of prior law is effective may be terminated by the organization, effective at the end of a calendar quarter, upon giving 2 years' advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than 8 years. The notice of termination may be revoked by the organization by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and

manner, and with such official, as may be prescribed by regulations made under this chapter.

"(E) If an organization described in subparagraph (A) employs both individuals who are in positions covered by a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof and individuals who are not in such positions, the organization shall divide its employees into two separate groups. One group shall consist of all employees who are in positions covered by such a fund or system and (i) are members of such fund or system, or (ii) are not members of such fund or system but are eligible to become members thereof; and the other group shall consist of all remaining employees. An organization which has so divided its employees into two groups may file a certificate pursuant to subparagraph (A) with respect to the employees in one of the groups if at least two-thirds of the employees in such group concur in the filing of the certificate. The organization may also file such a certificate with respect to the employees in the other group if at least two-thirds of the employees in such other group concur in the filing of such certificate.

"(F) An organization which filed a certificate under this subsection after 1955 but prior to the enactment of this subparagraph may file a request at any time before 1960 to have such certificate effective, with respect to the service of individuals who concurred in the filing of such certificate (initially or through the filing of a supplemental list) prior to enactment of this subparagraph and who concur in the filing of such new request, for the period beginning with the first day of any calendar quarter preceding the first calendar quarter for which it was effective and following the last calendar quarter of 1955. Such request shall be filed with such official and in such form and manner as may be prescribed by regulations made under this chapter. If a request is filed pursuant to this subparagraph—

"(i) for purposes of computing interest and for purposes of section 6651 (relating to addition to tax for failure to file tax return), the due date for the return and payment of the tax for any calendar quarter resulting from the filing of such request shall be the last day of the calendar month following the calendar quarter in which the request is filed; and

"(ii) the statutory period for the assessment of such tax shall not expire before the expiration of 3 years from such due date.

"(G) If a certificate filed pursuant to this paragraph is effective for one or more calendar quarters prior to the quarter in which the certificate is filed, then—

"(i) for purposes of computing interest and for purposes of section 6651 (relating to addition to tax for failure to file tax return), the due date for the return and payment of the tax for such prior calendar quarters resulting from the filing of such certificate shall be the last day of the calendar month following the calendar quarter in which the certificate is filed; and

"(ii) the statutory period for the assessment of such tax shall not expire before the expiration of 3 years from such due date."

(b) Section 3121 (b) (8) (B) of the Internal Revenue Code of 1954 is amended to read as follows:

"(B) service performed in the employ of a religious, charitable, educational, or other organization described in section 501 (c) (3) which is exempt from income tax under section 501 (a), but this subparagraph shall not apply to service per-

formed during the period for which a certificate, filed pursuant to subsection (k) (or the corresponding subsection of prior law), is in effect if such service is performed by an employee—

"(i) whose signature appears on the list filed by such organization under subsection (k) (or the corresponding subsection of prior law),

"(ii) who became an employee of such organization after the calendar quarter in which the certificate (other than a certificate referred to in clause (iii)) was filed, or

"(iii) who, after the calendar quarter in which the certificate was filed with respect to a group described in section 3121 (k) (1) (E), became a member of such group,

except that this subparagraph shall apply with respect to service performed by an employee as a member of a group described in section 3121 (k) (1) (E) with respect to which no certificate is in effect;".

(c) The amendments made by subsections (a) and (b) shall apply with respect to certificates filed under section 3121 (k) (1) of the Internal Revenue Code of 1954 after the date of enactment of this Act.

EXEMPTION OF UNEMPLOYMENT BENEFITS FROM LEVY

SEC. 406. Section 6334 (a) of the Internal Revenue Code of 1954 (relating to enumeration of property exempt from levy) is amended by adding at the end thereof the following new paragraph:

"(4) UNEMPLOYMENT BENEFITS.—Any amount payable to an individual with respect to his unemployment (including any portion thereof payable with respect to dependents) under an unemployment compensation law of the United States, of any State or Territory, or of the District of Columbia or of the Commonwealth of Puerto Rico."

TITLE V—AMENDMENTS RELATING TO PUBLIC ASSISTANCE

OLD-AGE ASSISTANCE

SEC. 501. Subsection (a) of section 3 of the Social Security Act is amended to read as follows:

"(a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for old-age assistance, for each quarter, beginning with the quarter commencing October 1, 1958, (1) in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as old-age assistance under the State

plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof)—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $30 multiplied by the total number of recipients of old-age assistance for such month (which total number, for purposes of this clause and clause (B) and for purposes of clause (2), means (i) the number of individuals who received old-age assistance in the form of money payments for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as old-age assistance in the form of medical or any other type of remedial care); plus

"(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), but not counting so much of any expenditure with respect to any month as exceeds the product of $66 multiplied by the total number of such recipients of old-age assistance for such month;

and (2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount equal to one-half of the total of the sums expended during such quarter as old-age assistance under

the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds $36 multiplied by the total number of recipients of old-age assistance for such month; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the State plan, including services which are provided by the staff of the State agency (or of the local agency administering the State plan in the political subdivision) to applicants for and recipients of old-age assistance to help them attain self-care."

AID TO DEPENDENT CHILDREN

SEC. 502. Subsection (a) of section 403 of the Social Security Act is amended to read as follows:

"(a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to dependent children, for each quarter, beginning with the quarter commencing October 1, 1958, (1) in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as aid to dependent children under the State

plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof)—

"(A) five-sixths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $18 multiplied by the total number of recipients of aid to dependent children for such month (which total number, for purposes of this clause and clause (B) and for purposes of clause (2), means (i) the number of individuals with respect to whom aid to dependent children in the form of money payments is paid for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as aid to dependent children in the form of medical or any other type of remedial care); plus

"(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), but not counting so much of any expenditure with respect to any month as exceeds the product of $33 multiplied by the total number of recipients of aid to dependent children for such month;

and (2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount equal to one-half of the total of the

sums expended during such quarter as aid to dependent children under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds $18 multiplied by the total number of recipients of aid to dependent children for such month; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the State plan, including services which are provided by the staff of the State agency (or of the local agency administering the State plan in the political subdivision) to relatives with whom such children (applying for or receiving such aid) are living, in order to help such relatives attain self-support or self-care, or which are provided to maintain and strengthen family life for such children."

AID TO THE BLIND

SEC. 503. Subsection (a) of section 1003 of the Social Security Act is amended to read as follows:

"(a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the blind, for each quarter, beginning with the quarter commencing October 1, 1958, (1)

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in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the blind under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof)—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $30 multiplied by the total number of recipients of aid to the blind for such month (which total number, for purposes of this clause and clause (B) and for purposes of clause (2), means (i) the number of individuals who received aid to the blind in the form of money payments for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as aid to the blind in the form of medical or any other type of remedial care); plus

"(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), but not counting so much of any expenditure with respect to any month as exceeds the product of $66 multiplied by the total number of such recipients of aid to the blind for such month;

and (2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount equal to one-half of the total of the sums expended during such quarter as aid to the blind under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds $36 multiplied by the total number of recipients of aid to the blind for such month; and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the State plan, including services which are provided by the staff of the State agency (or of the local agency administering the State plan in the political subdivision) to applicants for and recipients of aid to the blind to help them attain self-support or self-care."

AID TO THE PERMANENTLY AND TOTALLY DISABLED

SEC. 504. Subsection (a) of section 1403 of the Social Security Act is amended to read as follows:

"(a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid to the permanently and totally disabled, for each quarter, beginning with the quarter commencing October 1, 1958, (1) in the case of any State other

than Puerto Rico, the Virgin Islands, and Guam, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as aid to the permanently and totally disabled under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof)—

"(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $80 multiplied by the total number of recipients of aid to the permanently and totally disabled for such month (which total number, for purposes of this clause and clause (B) and for purposes of clause (2), means (i) the number of individuals who received aid to the permanently and totally disabled in the form of money payments for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as aid to the permanently and totally disabled in the form of medical or any other type of remedial care); plus

"(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), but not counting so much of any expenditure with respect to any month as exceeds the product of $66 multiplied by the total

number of such recipients of aid to the permanently and totally disabled for such month;

and (2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount equal to one-half of the total of the sums expended during such quarter as aid to the permanently and totally disabled under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof), not counting so much of any expenditure with respect to any month as exceeds $36 multiplied by the total number of recipients of aid to the permanently and totally disabled for such month, and (3) in the case of any State, an amount equal to one-half of the total of the sums expended during such quarter as found necessary by the Secretary of Health, Education, and Welfare for the proper and efficient administration of the State plan, including services which are provided by the staff of the State agency (or of the local agency administering the State plan in the political subdivision) to applicants for and recipients of aid to the permanently and totally disabled to help them attain self-support or self-care."

FEDERAL MATCHING PERCENTAGE

SEC. 505. Subsection (a) of section 1101 of the Social Security Act is amended by adding at the end thereof the following new paragraph:

"(8) (A) The 'Federal percentage' for any State (other than Puerto Rico, the Virgin Islands, and Guam) shall be 100 per centum less the State percentage; and the State percentage shall be that percentage which bears the same ratio to 50 per centum as the square of the per capita income of such State bears to the square of the per capita income of the continental United States (excluding Alaska); except that (i) the Federal percentage shall in no case be less than 50 per centum or more than 70 per centum, and (ii) the Federal percentage shall be 50 per centum for Alaska and Hawaii.

"(B) The Federal percentage for each State (other than Puerto Rico, the Virgin Islands, and Guam) shall be promulgated by the Secretary between July 1 and August 31 of each even-numbered year, on the basis of the average per capita income of each State and of the continental United States (excluding Alaska) for the three most recent calendar years for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the eight quarters in the period beginning July 1 next succeeding such promulgation: *Provided*, That the Secretary shall promulgate such percentage as soon as possible after the enactment of the Social Security Amendments of 1958, which promulgation shall be conclusive

for each of the eleven quarters in the period beginning October 1, 1958, and ending with the close of June 30, 1961."

EXTENSION TO GUAM

SEC. 506. Section 1101 (a) (1) of the Social Security Act is amended by striking out "Puerto Rico and the Virgin Islands" and inserting in lieu thereof "Puerto Rico, the Virgin Islands, and Guam".

INCREASE IN LIMITATIONS ON PUBLIC ASSISTANCE PAYMENTS TO PUERTO RICO AND THE VIRGIN ISLANDS

SEC. 507. (a) Section 1108 of the Social Security Act is amended by striking out "$5,312,500" and "$200,000" and inserting in lieu thereof "$8,500,000" and "$300,000", respectively, by striking out "and" immediately following the semicolon, and by adding immediately before the period at the end thereof "; and the total amount certified by the Secretary under such titles for payment to Guam with respect to any fiscal year shall not exceed $400,000".

(b) The heading of such section is amended to read "LIMITATION ON PAYMENTS TO PUERTO RICO, VIRGIN ISLANDS, AND GUAM".

MATERNAL AND CHILD WELFARE GRANTS FOR GUAM

SEC. 508. Such section 1108 is further amended by adding at the end thereof the following new sentence: "Not-

withstanding the provisions of sections 502 (a) (2), 512 (a) (2), and 522 (a), and until such time as the Congress may by appropriation or other law otherwise provide, the Secretary shall, in lieu of the $60,000, $60,000, and $60,000, respectively, specified in such sections, allot such smaller amounts to Guam as he may deem appropriate."

TEMPORARY EXTENSION OF CERTAIN SPECIAL PROVISIONS RELATING TO STATE PLANS FOR AID TO THE BLIND

SEC. 509. Section 344 (b) of the Social Security Act Amendments of 1950 (Public Law 734, Eighty-first Congress), as amended, is amended by striking out "June 30, 1959" and inserting in lieu thereof "June 30, 1961".

SPECIAL PROVISION FOR CERTAIN INDIANS REPEALED

SEC. 510. Effective in the case of payments with respect to expenditures by States, under plans approved under title I, IV, or X of the Social Security Act, for quarters beginning after September 30, 1958, section 9 of the Act of April 19, 1950, as amended (25 U. S. C. 639), is repealed.

TECHNICAL AMENDMENT

SEC. 511. Section 2 (a) (11) of the Social Security Act is amended by inserting before the period at the end thereof ", including a description of the steps taken to assure, in the provision of such services, maximum utilization of other agencies providing similar or related services".

EFFECTIVE DATES

SEC. 512. Notwithstanding the provisions of sections 305 and 345 of the Social Security Amendments of 1956, as amended, the amendments made by sections 501, 502, 503, 504, 505, and 506 shall be effective—

(1) in the case of money payments, under a State plan approved under title I, IV, X, or XIV of the Social Security Act, for months after September 1958, and

(2) in the case of assistance in the form of medical or any other type of remedial care, under such a plan, with respect to expenditures made after September 1958.

The amendment made by section 506 shall also become effective, for purposes of title V of the Social Security Act, for fiscal years ending after June 30, 1959. The amendments made by section 507 shall be effective for fiscal years ending after June 30, 1958. The amendment made by section 508 shall be effective for fiscal years ending after June 30, 1959. The amendment made by section 510 shall become effective October 1, 1958.

TITLE VI—MATERNAL AND CHILD WELFARE

CHILD WELFARE SERVICES

SEC. 601. Part 3 of title V of the Social Security Act is amended to read as follows:

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"PART 3—CHILD-WELFARE SERVICES

"APPROPRIATION

"SEC. 521. For the purpose of enabling the United States, through the Secretary, to cooperate with State public-welfare agencies in establishing, extending, and strengthening public-welfare services (hereinafter in this title referred to as 'child-welfare services') for the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent, there is hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1959, the sum of $17,000,000.

"ALLOTMENTS TO STATES

"SEC. 522. (a) The sums appropriated for each fiscal year under section 521 shall be allotted by the Secretary for use by cooperating State public-welfare agencies which have plans developed jointly by the State agency and the Secretary, as follows: He shall allot to each State such portion of $60,000 as the amount appropriated under section 521 for such year bears to the amount authorized to be so appropriated; and he shall allot to each State an amount which bears the same ratio to the remainder of the sums so appropriated for such year as the product of (1) the population of such State under the age of 21 and (2) the allotment percentage of such State (as determined under section

524) bears to the sum of the corresponding products of all the States.

"(b) (1) If the amount allotted to a State under subsection (a) for any fiscal year is less than such State's base allotment, it shall be increased to such base allotment, the total of the increases thereby required being derived by proportionately reducing the amount alloted under subsection (a) to each of the remaining States, but with such adjustments as may be necessary to prevent the allotment of any such remaining State under subsection (a) from being thereby reduced to less than its base allotment.

"(2) For purposes of paragraph (1) the base allotment of any State for any fiscal year means the amount which would be allotted to such State for such year under the provisions of section 521, as in effect prior to the enactment of the Social Security Amendments of 1958, as applied to an appropriation of $12,000,000.

"PAYMENT TO STATES

"SEC. 523. (a) From the sums appropriated therefor and the allotment available under section 522, the Secretary shall from time to time pay to each State with a plan for child-welfare services developed as provided in such section 522 an amount equal to the Federal share (as determined under section 524) of the total sum expended under such plan (including the cost of administration of the plan) in

meeting the costs of district, county, or other local child-welfare services, in developing State services for the encouragement and assistance of adequate methods of community child-welfare organization, in paying the costs of returning any runaway child who has not attained the age of eighteen to his own community in another State, and of maintaining such child until such return (for a period not exceeding fifteen days), in cases in which such costs cannot be met by the parents of such child or by any person, agency, or institution legally responsible for the support of such child: *Provided*, That in developing such services for children the facilities and experience of voluntary agencies shall be utilized in accordance with child-care programs and arrangements in the States and local communities as may be authorized by the State.

"(b) The method of computing and paying such amounts shall be as follows:

"(1) The Secretary shall, prior to the beginning of each period for which a payment is to be made, estimate the amount to be paid to the State for such period under the provisions of subsection (a).

"(2) From the allotment available therefor, the Secretary shall pay the amount so estimated, reduced or increased, as the case may be, by any sum (not previously adjusted under this section) by which he finds that his estimate of the amount to be paid the State for any prior period under this

section was greater or less than the amount which should have been paid thereunder to the State for such prior period.

"ALLOTMENT PERCENTAGE AND FEDERAL SHARE

"SEC. 524. (a) The 'allotment percentage' for any State shall be 100 per centum less the State percentage; and the State percentage shall be that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the continental United States (excluding Alaska); except that (A) the allotment percentage shall in no case be less than 30 per centum or more than 70 per centum, and (B) the allotment percentage shall be 50 per centum in the case of Alaska and 70 per centum in the case of Puerto Rico, the Virgin Islands, and Guam.

"(b) For the fiscal year ending June 30, 1960, and each year thereafter, the 'Federal share' for any State shall be 100 per centum less that percentage which bears the same ratio to 50 per centum as the per capita income of such State bears to the per capita income of the continental United States (excluding Alaska), except that (1) in no case shall the Federal share be less than 33⅓ per centum or more than 66⅔ per centum, and (2) the Federal share shall be 50 per centum in the case of Alaska and 66⅔ per centum in the case of Puerto Rico, the Virgin Islands, and Guam. For the fiscal year ending June 30, 1959, the

Federal share shall be determined pursuant to the provisions of section 521 as in effect prior to the enactment of the Social Security Amendments of 1958.

"(c) The Federal share and the allotment percentage for each State shall be promulgated by the Secretary between July 1 and August 31 of each even-numbered year, on the basis of the average per capita income of each State and of the continental United States (excluding Alaska) for the three most recent calendar years for which satisfactory data are available from the Department of Commerce. Such promulgation shall be conclusive for each of the two fiscal years in the period beginning July 1 next succeeding such promulgation: *Provided*, That the Secretary shall promulgate such Federal shares and allotment percentages as soon as possible after the enactment of the Social Security Amendments of 1958, which promulgation shall be conclusive for each of the 3 fiscal years in the period ending June 30, 1961.

"REALLOTMENT

"SEC. 525. The amount of any allotment to a State under section 522 for any fiscal year which the State certifies to the Secretary will not be required for carrying out the State plan developed as provided in such section shall be available for reallotment from time to time, on such dates as the Secretary may fix, to other States which the Secretary determines (1) have need in carrying out their State plans

so developed for sums in excess of those previously allotted to them under that section and (2) will be able to use such excess amounts during such fiscal year. Such reallotments shall be made on the basis of the State plans so developed, after taking into consideration the population under the age of twenty-one, and the per capita income of each such State as compared with the population under the age of twenty-one, and the per capita income of all such States with respect to which such a determination by the Secretary has been made. Any amount so reallotted to a State shall be deemed part of its allotment under section 522."

MATERNAL AND CHILD HEALTH

SEC. 602. (a) Section 501 of such Act is amended by striking out "for the fiscal year ending June 30, 1951, the sum of $15,000,000, and for each fiscal year beginning after June 30, 1951, the sum of $16,500,000" and inserting in lieu thereof "for each fiscal year beginning after June 30, 1958, the sum of $21,500,000".

(b) Section 502 (a) (2) of such Act is amended by striking out "for each fiscal year beginning after June 30, 1951, the Administrator shall allot $8,250,000 as follows: He shall allot to each State $60,000 and shall allot to each State such part of the remainder of the $8,250,000" and inserting in lieu thereof "for each fiscal year beginning after June 30, 1958, the Secretary shall allot $10,750,000 as

follows: He shall allot to each State $60,000 (even though the amount appropriated for such year is less than $21,500,000), and shall allot each State such part of the remainder of the $10,750,000".

(c) Section 502 (b) of such Act is amended by striking out "the fiscal year ending June 30, 1951, the sum of $7,500,000, and for each fiscal year beginning after June 30, 1951, the sum of $8,250,000" and inserting in lieu thereof "each fiscal year beginning after June 30, 1958, the sum of $10,750,000".

CRIPPLED CHILDREN'S SERVICES

SEC. 603. (a) Section 511 of such Act is amended by striking out "for the fiscal year ending June 30, 1951, the sum of $12,000,000, and for each fiscal year beginning after June 30, 1951, the sum of $15,000,000" and inserting in lieu thereof "for each fiscal year beginning after June 30, 1958, the sum of $20,000,000".

(b) Section 512 (a) (2) of such Act is amended by striking out "for each fiscal year beginning after June 30, 1951, the Administrator shall allot $7,500,000 as follows: He shall allot to each State $60,000, and shall allot the remainder of the $7,500,000" and inserting in lieu thereof "for each fiscal year beginning after June 30, 1958, the Secretary shall allot $10,000,000 as follows: He shall allot to each State $60,000 (even though the amount appropri-

ated for such year is less than $20,000,000) and shall allot the remainder of the $10,000,000".

(c) Section 512 (b) of such Act is amended by striking out "the fiscal year ending June 30, 1951, the sum of $6,000,000, and for each fiscal year beginning after June 30, 1951, the sum of $7,500,000" and inserting in lieu thereof "each fiscal year beginning after June 30, 1958, the sum of $10,000,000".

TITLE VII—MISCELLANEOUS PROVISIONS

FURNISHING OF SERVICES BY DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SEC. 701. Section 1106 (b) of the Social Security Act is amended to read as follows:

"(b) Requests for information, disclosure of which is authorized by regulations prescribed pursuant to subsection (a) of this section, and requests for services, may, subject to such limitations as may be prescribed by the Secretary to avoid undue interference with his functions under this Act, be complied with if the agency, person, or organization making the request agrees to pay for the information or services requested in such amount, if any (not exceeding the cost of furnishing the information or services), as may be determined by the Secretary. Payments for information or services furnished pursuant to this section shall be made in ad-

vance or by way of reimbursement, as may be requested by the Secretary, and shall be deposited in the Treasury as a special deposit to be used to reimburse the appropriations (including authorizations to make expenditures from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund) for the unit or units of the Department of Health, Education, and Welfare which furnished the information or services."

COVERAGE FOR CERTAIN EMPLOYEES OF TAX-EXMPT ORGANIZATIONS WHICH PAID TAX

SEC. 702. (a) Section 403 (a) (1) of the Social Security Amendments of 1954 is amended by striking out "has failed to file prior to the enactment of the Social Security Amendments of 1956" and inserting in lieu thereof "did not have in effect, during the entire period in which the individual was so employed,".

(b) Section 403 (a) (3) of the Social Security Amendments of 1954 is amended by inserting "performed during the period in which such organization did not have a valid waiver certificate" after "service".

(c) Section 403 (a) (5) of the Social Security Amendments of 1954 is amended by inserting "without knowledge that a waiver certificate was necessary, or" after "in good faith and".

MEANING OF TERM "SECRETARY"

SEC. 703. As used in the provisions of the Social Security Act amended by this Act, the term "Secretary", unless the context otherwise requires, means the Secretary of Health, Education, and Welfare.

AMENDMENT PRESERVING RELATIONSHIP BETWEEN RAILROAD RETIREMENT AND OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

SEC. 704. Section 1 (q) of the Railroad Retirement Act of 1937, as amended, is amended by striking out "1957" and inserting in lieu thereof "1958".

Passed the House of Representatives July 31, 1958.

Attest: RALPH R. ROBERTS,

Clerk.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., August 8, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, 310 Senate Office Building,
Washington, D. C.

MY DEAR MR. CHAIRMAN: This will acknowledge your letter of August 4, 1958, requesting the views of this Office on H. R. 13549, to increase benefits under the Federal old-age, survivors, and disability insurance system, to improve the actuarial status of the trust funds of such system, and otherwise improve such system; to amend the public assistance and maternal and child health and welfare provisions of the Social Security Act; and for other purposes.

The Bureau of the Budget believes that the provisions relating to the increases in social security benefits and taxes are reasonable, although more detailed knowledge of the actuarial conditions of the fund will be available when the Council which the Congress authorized submits its report in 1959. However, the removal of the existing offset provisions is of particular concern to this Office. The Bureau of the Budget recommends that present offset provisions be retained until there has been a full exploration of alternative possibilities.

The President's budget message stated his belief that over a period of time the States and localities should assume a larger share of the public assistance burden. The provisions of the bill relating to public assistance have serious budgetary implications and we do not believe that a further increase in the already disproportionate overall Federal share in this program can be justified. The increasing importance of the old-age and survivors insurance program and the present disparities in programs and fiscal effort among the States are additional reasons why a comprehensive and long-range plan should be formulated before further changes in the public assistance program are enacted. An intensive study of these matters is now in progress to develop recommendations for submission at the next session of Congress before the scheduled expiration of present matching formulas on June 30, 1959.

Accordingly, I am authorized to advise you that enactment of the provisions of H. R. 13549 relating to public assistance would not be in accord with the program of the President.

Sincerely yours,

MAURICE H. STANS, *Director.*

The CHAIRMAN. Mr. Secretary, this is your first appearance before a congressional committee since you were appointed Secretary of the Department of Health, Education, and Welfare.

Secretary FLEMMING. Yes, sir.

The CHAIRMAN. We are pleased to have you. You may proceed with your statement.

STATEMENT OF HON. ARTHUR S. FLEMMING, SECRETARY OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY ELLIOT RICHARDSON, ASSISTANT SECRETARY, HEW; CHARLES I. SCHOTTLAND, COMMISSIONER, AND ROBERT J. MYERS, CHIEF ACTUARY, SOCIAL SECURITY ADMINISTRATION

Secretary FLEMMING. Mr. Chairman and members of the committee, it is a pleasure to appear before this committee to discuss social-security programs of such vital importance to the American people.

I will confine my own testimony to two major policy issues presented by H. R. 13549. Assistant Secretary Richardson and Commissioner Schottland are here with me and they will be glad to answer questions about other and more detailed issues.

First of all, I would like to discuss the proposed changes in the old-age and survivors insurance program. The major changes can be summarized briefly as follows:

1. The tax contribution schedule now in the law for old-age and survivors insurance would be increased, effective next January 1, and the dates of future tax increases already scheduled in the law would be substantially advanced;

2. Benefit amounts would be increased by 7 percent, with a minimum increase of $3 in the benefit amount for a worker who retires at 65 or later; and

3. The maximum limit on the amount of annual earnings that is taxed and credited toward benefits would be increased from $4,200 to $4,800.

During fiscal 1958 the old-age and survivors insurance system, for the first time since the program began in 1937, paid out more in benefits than it received in tax revenue and interest.

The trust fund is expected to continue to decline, under the current law, until the tax increase now scheduled for 1965. Under the intermediate cost estimate, the trust fund would then resume an upward trend and continue to grow for many years thereafter.

The latest projections indicate, on an intermediate-cost basis, a long-range actuarial insufficiency of 0.57 percent of payroll. The previous report on the status of the trust fund estimated that the actuarial insufficiently would be 0.20 percent of payroll.

As members of the committee know, an able and distinguished Advisory Council on Social Security Financing, established by the Congress, is now studying the long-range financial condition of the program and is considering many of the financial questions dealt with in H. R. 13549. This committee is required by law to make its report by next January 1.

The administration would have preferred to await the report of this Advisory Council before recommending changes in the program of such magnitude as those proposed in H. R. 13549. We believe that both the administration and the Congress would have been in a better position to make major decisions after receiving the benefits of the study by the Advisory Council.

Nevertheless, this preference is based principally on questions of timing and procedure. From the information available to us now, we recognize that the major provisions of H. R. 13549 have considerable merit and do, in fact, meet certain real needs in this important program.

The proposed changes in the contribution rate would eliminate, after 1959, the estimated annual deficits over the next few years and would substantially strengthen the long-range financial condition of the program.

A 12 percent increase in wages since 1954, when the last major changes were made in benefit amounts and the tax base, justifies the proposed increase in the earnings base.

An 8 percent increase in prices since 1954 justifies some increase in benefits, particularly for the millions of persons who have been on the benefit rolls for several years or more and have had no adjustment to meet rising living costs since 1954.

On the whole, therefore, I believe the major changes in old-age and survivors insurance, which I have just discussed, are reasonable and desirable and I recommend their adoption.

The second major issue which I would like to discuss deals with the proposed changes in the Federal Government's participation in public assistance.

We believe that H. R. 13549 incorporates some very desirable administrative principles. We concur in the view that the maximum ceiling on State expenditures in which the Federal Government will participate should be computed on the basis of statewide averages rather than on an individual payment basis.

We also concur in the view that the maximum amount on State expenditures in which the Federal Government will share should combine into one figure the separate maximums on money payments and medical care. Likewise, we are convinced that it is more equitable for the Federal share of assistance payments to be related to the fiscal ability of a State.

On the whole, however, the administration is strongly opposed to the public assistance title of H. R. 13549 because these desirable principles would be applied in such a way as to substantially increase the Federal Government's share in the cost of this program and further reduce the relative role of the States.

In his budget message last January, the President stated his conviction that the States should have greater—not lesser—responsibility for programs of this nature. The President also stated:

> Proposals will be sent to the Congress for modernizing the formulas for public assistance with a view to gradually reducing Federal participation in its financing.

Former Secretary Folsom, in his testimony recently to the Committee on Ways and Means in the House of Representatives, recommended that no action be taken on public assistance at this time and stated that the administration would present recommendations to Congress early next year in time to permit adequate consideration by the Congress before the current financing formulas expire next June 30.

I believe that the philosophy expressed by the President is sound and I concur in the recommendation of former Secretary Folsom.

In recent years, a steadily increasing portion of total public assistance costs has been shifted from the States to the Federal Government. In 1937, State and local governments provided more than 80 percent of all public assistance expenditures.

In 1946, State and local governments provided 60 percent of the costs of all public assistance.

In 1957, their share had decreased to 50 percent. Counting only those programs in which the Federal Government participates—aid to the needy aged, blind, disabled, and dependent children—the State and local share of the cost has declined from 55 percent in 1946 to 45 percent last year.

While State expenditures for public assistance have doubled since 1946, the Federal Government's expenditures in this same period have increased by more than $1 billion and are now 3 times as large as in 1946.

In the face of this trend, the proposed bill would increase the Federal contribution by an additional $288 million in the first full year, and probably by more than $300 million in future years.

These programs are State programs, initiated by the States and administered by the States and communities. They are based on the sound concept that the States and local communities can best de-

termine the actual needs of individuals and administer programs of assistance to them.

In the next session of Congress, I believe, it should be possible for the executive and legislative branches, working together, to develop a new formula which will have the effect of providing vigorous Federal support for the public assistance program without weakening the role of the States.

The proposed bill would further weaken the role of the States. In the long run, to continue such a trend might well prove to be a disservice rather than a service to those who are dependent on the program.

It should be emphasized that the administration's opposition is not directed against an increase in assistance payments to individuals but is directed only against an increase in the proportion of such payments that will be borne by the Federal Government.

I am impressed by this fact: If the States find that increased payments to individuals are needed, the Federal Government already is in a position under the existing law to match, on a 50–50 basis, State funds to increase payments for 60 percent of all the persons now receiving old-age assistance.

In many of the States where public-assistance payments are now the lowest, an even higher percentage of recipients could receive increased payments on a 50–50 matching basis.

It is also very important to consider the fiscal circumstances under which this increase in the Federal share of public-assistance expenditures is proposed. The members of this committee, I know, are already deeply concerned over the prospective $12 billion Federal deficit for this fiscal year. The proposed bill would, of course, increase the prospective deficit.

In summary, Mr. Chairman, I believe that the proposal before your committee in the field of old-age and survivors insurance is sound both from a program and fiscal point of view and that it will make a major contribution to the strengthening of our economy and to the security of the aged, the disabled, and widows and orphans.

I hope that the committee will not couple this sound proposal in the field of old-age and survivors insurance with what we believe for the reasons stated, is an unsound proposal in the field of public assistance.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Secretary. Could you give the committee a statement as to the progress that has been made by this commission up to this time?

Secretary FLEMMING. Commissioner Schottland, Mr. Chairman, is with me and can give you such a statement.

The CHAIRMAN. The committee would like to know the composition of the commission—how many meetings it held; and whether it has reached any conclusions, tentatively or otherwise?

Mr. SCHOTTLAND. The Advisory Council on Social Security Financing, Mr. Chairman, is composed of the Commissioner of Social Security and 12 members appointed by the Secretary. The law provides that the persons appointed shall represent equally employees and employers and shall have representatives from the self-employed and the general public.

The CHAIRMAN. Could you furnish for the record a list of the personnel of the membership?

Mr. SCHOTTLAND. I would be very glad to furnish the names of the 12 persons.

The Council has had a number of meetings. We can furnish for the record the exact dates of the meetings.

In addition, they have divided into two subcommittees. These subcommittees have held a number of meetings and have exchanged voluminous correspondence in connection with rather intensive studies.

The two subcommittees are, first, a subcommittee headed by Mr. Reinhard A. Hohaus, vice president and chief actuary of Metropolitan Life Insurance Co., which is studying the actuarial basis of the system, looking into the validity of our estimates, both long-range and short-range, and making suggestions as to the soundness of our present estimating procedures.

The second subcommittee is studying the management of our trust funds; that is, such matters as: Is the present law consistent with the trust obligations of the trustees, are we getting the appropriate interest rate, are there other ways in which the management of the trust funds might be improved, etc.

(The information is as follows:)

ADVISORY COUNCIL ON SOCIAL SECURITY FINANCING

The Advisory Council, which was established last year pursuant to Public Law 880 of the 84th Congress, has the responsibility for "reviewing the status of the Federal old-age and survivors insurance trust fund and of the Federal disability insurance trust fund in relation to the long-term commitments of the old-age, survivors, and disability insurance program." As set forth in the report of the Ways and Means Committee (H. Rept. 1189, 84th Cong., 1st sess., p. 10), "the committee bill provides for the periodic establishment of an Advisory Council on Social Security Financing for the purpose of reviewing the status of the old-age and survivors insurance trust fund in relation to the long-term commitments of the program, evaluating the financing provisions in relation to the dynamic character and growing productive capacity of our economy before each scheduled increase in the tax rates."

In discharging the responsibilities under the law, the Council is doing the following:

1. Studying the methodology of the actuarial computation to ascertain whether the basis of the long-range and short-range estimates is sound.
2. Examining the validity of the assumptions underlying the actuarial estimates, including such factors as population growth, morbidity and mortality rates, retirement rates, labor force participation rates, levels of employment, wage levels, and related factors.
3. Making recommendations on the tax rates, the intervals between tax increases, and related questions.
4. Studying what the maximum earnings limit for contributions (and benefits) should be.
5. Considering what is the appropriate size of the trust funds and what principles should determine the size of the funds.
6. Reviewing the present investment policy of the trust funds and its effect on the income of the funds and considering possible alternative policies with regard to investment, interest rates, and management of the funds.

The Council has held meetings on the following dates: November 21–22, 1957; January 24–25, 1958; May 2–3, 1958; and July 18, 1958.

MEMBERSHIP—ADVISORY COUNCIL ON SOCIAL SECURITY FINANCING

Employers

Elliott V. Bell, chairman of the executive committee, McGraw-Hill Publishing Co., 330 West 42d Street, New York, N. Y. Financial expert; specialist in investments and economics.

Reinhard A. Hohaus, vice president and chief actuary, Metropolitan Life Insurance Co., New York, N. Y. One of top actuaries in the United States; long association with social security problems.

Robert A. Hornsby, president, Pacific Lighting Corp., 433 California Street, San Francisco, Calif.

Employees

Joseph W. Childs, vice president of the United Rubber, Cork, Linoleum and Plastic Workers of America; member of the AFL-CIO committee on social security; URW Building, High at Mill Streets, Akron, Ohio.

Nelson H. Cruikshank, director, department of social security, AFL-CIO, Washington, D. C. Long association with social security problems.

Eric Peterson, general secretary-treasurer, International Association of Machinists; member of the AFL-CIO committee on social security, International Association of Machinists, 1300 Connecticut Avenue NW., Washington, D. C.

Public

J. Douglas Brown, director, department of economics and social institutions, industrial relations section, Princeton University, Princeton, N. J. Long association with social security problems; economist.

Malcolm H. Bryan, president, Federal Reserve Bank of Atlanta. Financial and banking expert; expert on investment policy.

Arthur F. Burns, former chairman, Council of Economic Advisers; now president, National Bureau of Economic Research, New York, N. Y.

Carl H. Fischer, professor of insurance, School of Business Administration, University of Michigan, Ann Arbor, Mich. Actuary.

Thomas N. Hurd, professor, agricultural economics; land economics, Cornell University, Ithaca, N. Y. Economist; specialist in agriculture economics.

R. McAllister Lloyd, president, Teachers Insurance & Annuity Association of America, College Retirement Equities Fund, New York. Expert in retirement programs.

The council held its last meeting about 3 or 4 weeks ago, and is meeting again at the end of September or the beginning of October, and they will have a series of meetings so that the report will be ready in December.

The CHAIRMAN. No conclusions, even tentatively, have yet been made?

Mr. SCHOTTLAND. I do not think it would be appropriate, Mr. Chairman, to label anything that they have arrived at as tentative conclusions in view of the fact there has been no formal action.

The CHAIRMAN. It is your position, Mr. Secretary, that you would prefer that no legislation be enacted until this commission reports?

Secretary FLEMMING. That is correct. That has been the position of the administration, Mr. Chairman, and we do feel that, of course, it would be better to have that factual information in front of us.

However, on the basis of the information that is now available we feel that the old-age and survivors insurance provisions of this bill are sound.

The CHAIRMAN. Could you furnish the figures as to the additional cost on an annual basis of the changes that have been made in the social security under this bill?

Secretary FLEMMING. Mr. Schottland?

Mr. SCHOTTLAND. We would have to divide the cost into two parts, the cost of the old-age and survivors insurance provisions and the cost of the public-assistance provisions.

With reference to the old-age and survivors insurance provisions, as you know, we always estimate cost in terms of the cost of payroll, which is indicative of the payroll tax necessary.

The present old-age and survivors insurance system has been estimated to have an actuarial insufficiency of 0.57 percent of payroll. This means that in the long-range future, assuming all of the estimates are completely accurate and all of the assumptions are completely accurate, we would be underfinanced by approximately one-half of 1 percent of payroll.

Senator WILLIAMS. May I ask a question at that point. What is the payroll figure that you base that on in order that we can reduce that to dollars?

Mr. SCHOTTLAND. We have been using 1956 payroll figures.

Senator WILLIAMS. What is that figure?

Mr. MYERS. Senator Williams, the current payroll is around $180 billion but for long-range purposes averaging in higher payrolls of the future as the population increases we use a level average of about $290 billion for present law and about $305 billion for the bill.

Senator WILLIAMS. Using that, you are using that on the computation for today?

Mr. MYERS. We are using that as the basis for the computations determining the long-range average costs, but for the immediate future the payroll would be about $180 billion and would slowly increase in the future as the population of the country rises.

Senator WILLIAMS. Well, this 0.57 increase in the cost that he refers to is that 0.57 based on the $180 billion or the $290 billion?

Mr. MYERS. As a long-range average it would be based on the $290 billion.

The CHAIRMAN. Translated into dollars what additional cost will that place upon the taxpayers each year?

Mr. MYERS. The additional cost would, of course, increase gradually over the years as the tax rate itself rises.

The CHAIRMAN. I understand, but let's start with this year.

Senator WILLIAMS. Yes.

Mr. MYERS. In 1958, of course, there would be no increases in taxes under the bill, but in 1959 for the old-age and survivors insurance system, the contribution income, or the taxes, would be $1.1 billion more than under present law.

The CHAIRMAN. Making a total of what?

Mr. MYERS. Making a total of $8.6 billion.

The CHAIRMAN. Carry it through for the next 3 or 4 or 5 years.

Senator KERR. Would that $1.1 billion additional be on the employers only or is that the total that would be derived from the tax on both employer and employee?

Mr. MYERS. That is the total taxes that would be paid by the employers, the employees, and the self-employed.

Senator KERR. Yes.

Mr. MYERS. Roughly $500 million from the employers, $500 million from employees, and $100 million from the self-employed.

Senator WILLIAMS. In the same year of 1959 what would be the expenditures under the existing law and what would be the expenditures under this bill, reduced to dollars?

Mr. MYERS. Under the bill the expenditures would be $9.5 billion as contrasted with $8.8 billion under the present law, or, in other words, an increase of $700 million.

The CHAIRMAN. What are we collecting under the present tax rate?

Mr. MYERS. The present taxation would be $7.5 billion.

The CHAIRMAN. You said it would be $8.6 billion which included the increase of $1.7 billion?

Mr. MYERS. The increase is $1.1 billion.

Senator BENNETT. $1.1 billion.

The CHAIRMAN. What will the tax increase be in the first year, expressed in percentage?

Senator BENNETT. About 14 percent.

The CHAIRMAN. Fourteen percent.

Of course that will change in proportion to the amount of the payroll.

Mr. MYERS. Yes, sir.

The CHAIRMAN. The total amount will increase?

Mr. MYERS. Yes, sir; the total amount will increase.

The CHAIRMAN. Give the increase, for instance, for 5 years.

You show $8.6 billion for 1959; what will be the amount in 1960 and so forth?

Mr. MYERS. In 1960 the increase in the taxes collected would be $1.5 billion.

Senator BENNETT. Increase over 1958?

Mr. MYERS. No; over the present law in 1960.

Senator BENNETT. Yes.

Secretary FLEMMING. Mr. Chairman, you want the total for 1960?

The CHAIRMAN. Yes; we want the total.

Secretary FLEMMING. You want it under present law or on the assumption this is approved?

The CHAIRMAN. I want it under both. Give it under the present law and under the bill as approved by the House.

Mr. MYERS. Yes. In 1960, the present law would be $9.1 billion of taxes collected, and the bill would be $10.6 billion or an increase of $1.5 billion.

The CHAIRMAN. Could you project that for 1961?

Mr. MYERS. Yes, sir. I do not have the exact figures here in front of me but in 1961, and in 1962 it would be approximately the same excess over present law.

The CHAIRMAN. For the record please project it for 1960 and about 5 years beyond that date under the present law and under the bill now before us.

Mr. MYERS. Yes, sir; we will do that.

Senator FREAR. Would you also include the expenditures in that request?

The CHAIRMAN. That is a good point; please show expenditures also for each year.

Mr. MYERS. Yes, sir.

(The information is as follows:)

Estimated taxes and benefit payments under old-age, survivors, and disability insurance system, under present law and under bill

OLD-AGE AND SURVIVORS INSURANCE

[In millions]

Calendar year	Tax receipts			Benefit payments		
	Present law	H. R. 13549	Increase	Present law	H. R. 13549	Increase
1959	$7,297	$7,297		$8,239	$8,368	$129
1960	7,449	8,632	$1,183	8,769	9,455	686
1960	9,088	10,621	1,533	9,297	10,027	730
1961	9,538	11,106	1,573	9,820	10,618	798
1962	9,962	11,256	1,294	10,341	11,207	866
1963	9,791	13,124	3,333	10,761	11,678	917
1964	9,920	13,652	3,732	11,061	12,016	955
1965	11,714	13,830	2,116	11,842	12,333	991

DISABILITY INSURANCE

1958	$914	$914		$228	$265	$37
1959	924	980	$56	244	434	190
1960	935	991	56	306	492	186
1961	948	1,004	56	354	555	201
1962	961	1,018	57	403	613	210
1963	974	1,032	58	451	675	224
1964	987	1,046	59	500	736	236
1965	1,000	1,059	59	548	796	248

The CHAIRMAN. As I understand it your income increases are in two categories. The first is that derived from increasing the payroll tax and the second is that part to be derived from increasing the taxable earnings from $4,200 to $4,800. Do you have that broken down showing the amount from each——

Mr. MYERS. Yes; we can give you quite readily how much is from the increase in the earnings base and how much from the increase in the tax rate.

Senator WILLIAMS. When you send that information in could you include also how much of the increase is based upon the prospective tax-rate increase and how much on the increase in the employment?

You see, you are going from $180 billion to $200 billion.

How much of that is represented by prospective increase in the payroll and how much is in tax?

Senator KERR. How much is the increase in total?

Senator WILLIAMS. That is right.

How much is your projected increase based upon projected increase in payroll and how much on the tax rate?

Mr. MYERS. Yes, Senator. We will show that of course by showing what the taxes under the present law will be as compared with the bill, but we will bring this point out also.

(The information follows:)

Increase in taxes under old-age, survivors, and disability system under bill, by cause of increase

OLD-AGE AND SURVIVORS INSURANCE

(In millions)

Calendar year	Tax receipts		Increase in tax receipts			Increase in tax receipts if there were no increase in covered employment
	Present law	H. R. 13549	Total	Due to increase in—		
				Earnings base	Tax rate	
1959	$7,449	$8,632	$1,183	$368	$815	$1,183
1960	9,088	10,621	1,533	545	988	1,516
1961	9,533	11,106	1,573	572	1,001	1,535
1962	9,662	11,256	1,594	580	1,014	1,535
1963	9,791	13,124	3,333	587	2,746	3,167
1964	9,920	13,652	3,732	595	3,137	3,500
1965	11,714	13,830	2,116	703	1,413	1,969

DISABILITY INSURANCE

1959	$924	$980	$56	$56	.....	$56
1960	935	991	56	56	.....	56
1961	948	1,004	56	56	.....	56
1962	961	1,018	57	57	.....	56
1963	974	1,032	58	58	.....	56
1964	987	1,046	59	59	.....	56
1965	1,000	1,059	59	59	.....	56

Senator KERR. Now is the estimate you give there, you have just given the chairman, is that based on what you estimate that the payrolls will actually be in these years or have you used the figure that you have estimated for the long range?

Mr. MYERS. The figures that I am quoting are based on the long-range cost estimates, and they do not take into account any economic depression there might or might not be or any wage increases that there might be.

Senator KERR. On what average amount of annual wages are your estimates of income based on $190 billion or $200 billion?

Mr. MYERS. These estimates are based on the level of earnings in 1956.

Senator KERR. Well, that is $180 billion or $190 billion?

Mr. MYERS. Yes, sir. The covered payroll.

The CHAIRMAN. You have here a one-fourth of 1 percent increase each for employees and employers, and a three-eigths of 1 percent increase for self-employed, and you step up schedule for increasing the rates to every 3 years instead of every 5 years.

Mr. MYERS. Yes, Mr. Chairman.

The CHAIRMAN. I think the committee would like to have an analysis of this increased burden on taxpayers which results from increasing these rates in the future. Do you have that available now?

Mr. MYERS. Yes, we can show that, I think in the same table you asked for showing the year by year comparison of taxes and benefits by extending that table up through, say, 1965.

The CHAIRMAN. What will be the maximum rate as far as this projection goes?

I mean how far does the present legislation go in increasing rates?

Mr. MYERS. The ultimate or the highest rate under the bill would be reached in 1969 at 4½ percent from the employer, and 4½ percent from the employee. Whereas under present law the maximum is 4¼ percent each, that is reached in 1975.

The CHAIRMAN. In other words, the rate would be practically doubled in 6 years less time?

Mr. MYERS. The present rate, which is now 4½ percent for old-age and survivors insurance and disability insurance combined, would be exactly doubled by 1969.

Senator WILLIAMS. What would it be in 1969 under existing law?

Mr. MYERS. Under existing law the rate in 1969 would be 3¼ percent each.

The CHAIRMAN. That would be terrific taxation on payrolls.

Senator MARTIN. Mr. Chairman, let's have also in there the self-employed.

Senator KERR. Two and a half times four and a half, is it not—one and a half times four and a half?

Mr. MYERS. The self-employed rate in 1969 under present law is 4⅞ percent.

Under the bill it would be 6¾ percent. Of course under present law the rate would go up after that whereas under the bill it would stay level at that figure.

The CHAIRMAN. You can furnish a table showing all these increases, I assume?

Mr. MYERS. Yes, sir.

(The information follows:)

[Percent]

Calendar year	Employee rate (same for employer)		Self-employed rate	
	1956 act	Bill	1956 act	Bill
1958	2¼	2¼	3⅜	3⅜
1960	2½	2½	3¾	3¾
1960–62	2½	3	4⅛	4½
1963–64	2¾	3½	4⅛	5¼
1965	3¼	3½	4⅞	5¼
1966–68	3¼	4	4⅞	6
1969	3¼	4½	4⅞	6¾
1970–74	3¼	4½	5⅛	6¾
1975 and after	4¼	4½	6⅜	6¾

The CHAIRMAN. Up to 1969 along these lines.

I would like to ask about the deficit in this program. I refer to the period when the income was not sufficient to pay the benefits.

When did that shortage occur, what year?

Mr. MYERS. The first fiscal year that that occurred for the old-age and survivors insurance system was the fiscal year that has just ended, June 30, 1958.

The CHAIRMAN. Up to that time there had been a surplus each year?

Mr. MYERS. That is correct, Mr. Chairman.

The CHAIRMAN. What was the deficit in the last fiscal year?

Mr. MYERS. About $215 million.

The CHAIRMAN. Then it is anticipated that the shortage will be what for this year?

Mr. MYERS. In the coming fiscal year we are now in, ended June 30, 1959, it is estimated that it will be somewhat in excess of $1 billion.

The CHAIRMAN. When will it balance out?

Senator BENNETT. Cumulative or annual?

Mr. MYERS. In the year is the best way to analyze the matter.

Senator MARTIN. That is annual, is it?

Mr. MYERS. Yes, sir.

Senator MARTIN. What will the cumulative be?

Senator BENNETT. A billion; two.

Mr. MYERS. In the previous fiscal years there were much greater surpluses, resulting in the trust fund having built up to its present level.

The CHAIRMAN. When do you estimate the income will be equal to expenditures?

Senator KERR. Under the proposed bill.

Senator BENNETT. Under existing law first.

The CHAIRMAN. Under existing law and the bill.

Senator KERR. Under existing law, it never will be.

Senator BENNETT. There is an automatic increase in tax which will throw it over. It will catch itself up if we do not change the present law.

The CHAIRMAN. When is the next increase under presentation?

Mr. MYERS. In 1960.

Senator MARTIN. That is, by present law?

Mr. MYERS. Under present law, in 1960 the tax rate increases so that the combined rate for employer and employee is 5½ percent.

Senator MARTIN. If you leave the law as it is, there would be a shortage until that new tax becomes operative; is that it?

Mr. MYERS. Mr. Chairman, even after that higher tax becomes operative, in the first full year that it is operative, the income and outgo would be very close to a balance, but in the next few years after that there would again be a deficit until the increase in 1965 became effective. From that point on, we estimate that, at least for two decades, there would continue to be an excess of income over outgo.

The CHAIRMAN. In that period, how much would the balance be reduced, by your estimates?

Mr. MYERS. Between now and 1965, we estimate that the fund will decrease between $3 billion and $4 billion.

The CHAIRMAN. The fund is how much now?

Mr. MYERS. The fund now is about $22¾ billion, as of last June 30.

The CHAIRMAN. It would be reduced to approximately $20 billion?

Mr. MYERS. It will go down to between $19 billion and $20 billion.

The CHAIRMAN. If Congress continues to increase the benefits, of course, it may go down much lower than that.

Mr. MYERS. Yes, of course, unless the taxes were increased equally or more.

The CHAIRMAN. I would like to ask the Secretary if the Commission is giving any thought to the impact of this terrific taxation upon the economy. We are asked to levy 9 percent on the ordinary payrolls and 6¾ percent on self-employed. It is a burden upon industry and upon everybody concerned, because it is on gross payrolls.

Senator MARTIN. Mr. Chairman, I think that is one of the most important things confronting us, and, if they are in the position to give us that information, it could be given later.

Mr. Chairman, I think we ought to get at this thing. Somebody made the estimate a few years ago we would be in balance these various years, and now we have a deficit, and I would like something along how we come to the conclusion that these increases will keep us in balance in the future.

This, Mr. Chairman, is a forced savings on the employed people of our country, and we ought to be mighty careful that it is solvent at all times, because we are the trustees for millions of people.

The CHAIRMAN. Not only that, but we must try to examine the ability of the economy to stand the impact of this terrific taxation. This is taxation on gross payroll. The income tax is on a net income, which is a very different thing.

Secretary FLEMMING. Mr. Chairman, before I ask the Chairman of the Advisory Council whether that factor is being considered by the Council, could I ask that the question you asked a little while ago be rounded out?

You now have in the record the point at which the program will be in balance under existing law, and I ask we put in the record the point at which it would be brought in balance under the proposed changes in the law that are now before this committee.

Mr. MYERS. On that point, Mr. Chairman, in calendar year 1959, there would still be some decrease in the fund under the bill, although not as much as under present law, but, beginning in calendar year 1960 and running for at least the next two decades, in each year there would be an excess of income over outgo.

The CHAIRMAN. Do you mean by reason of these changes?

Mr. MYERS. By reason of the changes in the bill.

Secretary FLEMMING. That is right.

Mr. MYERS. Yes.

The CHAIRMAN. It is your position that these changes are more than self-sustaining, that more will be collected than paid out?

Mr. MYERS. Yes, Mr. Chairman, that is correct, both over the short range in each year and in the long-range future.

The CHAIRMAN. It will become operative January 1; is that correct?

Mr. MYERS. Of 1959; yes.

The CHAIRMAN. Take the year 1959: what surplus would exist under this increase in taxes?

Senator ANDERSON. Can't we get both ways? I was hoping we could get the present bill for 1959 income and outgo, and the present bill income and outgo.

Senator FREAR. Mr. Chairman, along the line of the statement the gentleman just made, the excess of income over outgo will not be made, necessarily, in contributions by employers, employees, and self-em-

ployed, but by the interest on the fund that has been built up to this approximately $20 billion; will it not?

Mr. MYERS. The interest income to the fund is counted on to help support the system.

Senator FREAR. Yes, sir. But isn't that approximately the amount of increase of income over outgo during that period of 10 years? Isn't the increase about the interest on the $20 billion? Aren't your payments equal, approximately, to the income other than interest?

Mr. MYERS. Under the bill, you mean?

The CHAIRMAN. Now, under the present law. How much do you collect in interest?

Mr. MYERS. We are now collecting about $550 million a year.

The CHAIRMAN. What percent? The Senator from Delaware wants to know, and so does the chairman. These balances you speak about come mainly from the interest paid into the trust fund; is that right or not?

Senator FREAR. The excess amounts that will be resolved into the fund will come from interest, and not from payments.

Mr. MYERS. No; I think that interest will be only a part of the excess.

Senator FREAR. It will be more than that, then?

Mr. MYERS. Yes, sir.

Senator FREAR. I see.

Mr. MYERS. I will show that separately.

(The requested information is as follows:)

Estimated increase in old-age and survivors insurance trust fund, under bill

[In millions]

Calendar year	Tax receipts	Benefit payments and other outgo[1]	Increase of trust fund due to—		
			Excess of taxes over total outgo	Interest receipts	Total
1959	$8,632	$9,835	−$1,203	$567	−$636
1960	10,621	10,389	232	590	822
1961	11,106	10,982	124	634	758
1962	11,256	11,578	−322	672	350
1963	13,124	12,009	1,115	704	1,819
1964	13,652	12,850	1,802	761	2,563

[1]Other outgo includes administrative expenses and transfers to railroad retirement account under financial interchange provisions.

Senator FREAR. In 1959 how much balance will be left on this bill itself, I mean these new taxes as compared to the new expenditures?

Mr. MYERS. In 1959, neglecting the interest element, the bill will bring in more in taxes than it will pay out in benefits in an amount of about $600 million.

The CHAIRMAN. Will that decrease in future years or not?

Will that be approximately stationary under this bill alone?

Mr. MYERS. Well, for a number of years there will be that excess, although in the long run it probably will be reversed.

The CHAIRMAN. What part of this comes from an increase in the payroll taxes and what part comes from the increase in pay which is taxed from $4,200 to $4,800?

Mr. MYERS. Of the $1.1 billion of additional taxes that will be collected in 1959, about $400 million will come from increasing the earnings base.

The other $700 million will come from the one-fourth percent higher tax rate on the employee and the one-fourth percent on the employer.

Senator WILLIAMS. I am slightly confused. A moment ago I understood you to say that under the existing law we are collecting around seven and a half billion in 1959, which would be—is that correct?

Mr. MYERS. Yes; that is correct, Senator Williams.

Senator WILLIAMS. Under the existing law we would pay out in 1959, $8.8 billion; is that right?

Mr. MYERS. Yes, sir; that is right.

Senator WILLIAMS. And if there is no change in the law made, you would have a deficit of $1.3 billion in 1959, is that correct?

Senator BENNETT. We have interest coming in.

Mr. MYERS. Except for the interest income and the administrative expenses going out.

Senator WILLIAMS. Yes.

Mr. MYERS. And payment to the railroad retirement account.

Senator WILLIAMS. Based on payments to your income and increase your income in 1959, as I understand it, by $1.1 billion; is that right?

Mr. MYERS. Yes, sir.

Senator WILLIAMS. And you increase your payments out under this bill by $700 million; is that correct?

Mr. MYERS. Yes, sir.

Senator BENNETT. $1.1 billion.

Senator WILLIAMS. Not your payments.

Mr. MYERS. The benefit payments are increased $700 million; that is right.

Senator WILLIAMS. And in 1959 the effect would be we are increasing taxes 14 percent, and we are increasing benefits 9 percent; is that correct, if this bill is enacted?

Mr. MYERS. That is approximately correct.

Senator WILLIAMS. When you figure it in 1969 we would reach the maximum under this bill of 6¾ percent, whereas under existing law it would be 4⅞ percent; is that correct?

Mr. MYERS. Those are the rates for the self-employed.

Senator WILLIAMS. Self-employed?

Mr. MYERS. But, of course, under present law the rates for the self-employed continue to rise after 1969.

Senator WILLIAMS. That is right.

The CHAIRMAN. Six and three-fourths, is the maximum, Mr. Myers?

Mr. MYERS. Yes, sir, for the bill.

Senator WILLIAMS. But figured in 1969, under existing law the rate would be 4⅞ percent on $4200; is that right?

Mr. MYERS. That is correct.

Senator WILLIAMS. Under this bill they would be in that same year 6¾ percent of $4,800; is that right?

Mr. MYERS. That is correct, sir.

Senator WILLIAMS. And that represents an increase in taxes of 56 percent; is that correct?

Mr. MYERS. [It seems to be, I have not figured it exactly but it seems to be correct.] Actually, 58 percent.

Senator WILLIAMS. Assuming there is no change in the law from now until 1969 that would be an increase in cumulative tax of 58 percent higher than it would be in existing law for the year 1969?

Mr. MYERS. For the man earning $4,800.

Senator WILLIAMS. For self-employed?

Mr. MYERS. Yes, sir.

Senator WILLIAMS. And the benefits would still remain with a 9-percent increase; is that correct?

Mr. MYERS. Approximately a 7-percent increase for persons earning under $4,200 and 17 percent for the $4,800 individual.

Senator WILLIAMS. So I think we might just as well point out what we are getting under this bill.

You are projecting a tax increase beginning at 14 percent that scales all the way up to an increase of 56 percent in 1969, under the self-employed in turn for a 9 percent increase in benefits; is that correct?

Mr. MYERS. Yes, sir; that is correct. Of course, the ultimate tax in 1975 and after is only increased from 6⅜ percent to 6¾ percent.

Senator WILLIAMS. That is correct.

Mr. MYERS. Which is an increase of only about 6 percent.

Senator WILLIAMS. Just figuring up to 1969 since that was the point raised before, that is all I am doing.

Mr. MYERS. That is a correct figure for 1969.

The CHAIRMAN. I would like to ask the Secretary if it would be possible to include the question of the impact on the economy of the country in the future of these taxes.

Is that one of the studies that is being made?

Secretary FLEMMING. Mr. Chairman, I would like to ask the Chairman of the advisory council whether that is one of the studies that is now underway.

The CHAIRMAN. That disturbs me very much. We are rapidly increasing this burden fixed by law to the point where it may be extremely burdensome, if not destructive.

Senator MARTIN. May I interject, Mr. Chairman, by saying we have now and have been for several days studying the impact on our economy of reciprocal trade agreements, and the difference in wage scales of various countries.

I think, Mr. Chairman, and I am making this comment, I think we ought to take into consideration whether or not this increased cost of production in our country, and this is an increased cost of production, what effect that will have in our competition with other countries of the world?

Mr. SCHOTTLAND. Mr. Chairman, the Advisory Council is not considering in any detail the effect of these taxes on our economy as a whole. It is felt that its frame of reference is to consider the fiscal soundness of the system itself. However, the Council is aware of the fact that such studies are being made.

The National Bureau of Economic Research is going into this very question, and a number of other groups are interested in this question, so that we anticipate there will be some rather authoritative and good studies.

The CHAIRMAN. Will that be on this specific question?

Mr. SCHOTTLAND. Yes; on the specific question of the effect of social-security taxes on the economy as a whole.

The CHAIRMAN. Mr. Secretary, just one other question.

Do you regard the passage of this bill as being inflationary?

Secretary FLEMMING. Well, Mr. Chairman, as far as the old-age and survivors insurance aspect of it is concerned, obviously it is not because it improves the fiscal soundness of the system.

As I have pointed out the proposed changes in the public-assistance law would add in the first full fiscal year about $288 million to the Federal deficit, and consequently to the extent that a deficit in the operation of the Federal Government contributes to inflation this would make a contribution in that direction.

The CHAIRMAN. You say that the study is being made by other agencies of the Government as to the impact.

Senator BENNETT. Private agencies.

Mr. SCHOTTLAND. A private agency.

The CHAIRMAN. Yes. I would like to see included in your report if it is possible to do it the study of the impact of these taxes. I think that would be a great problem in years to come and I want to ask whether that could not be done.

Secretary FLEMMING. Mr. Chairman, I would be very happy through the chairman to take that up with this Advisory Council to determine whether or not it is possible for them to make such a study within their frame of reference.

The CHAIRMAN. I know the finance committee would be anxious to have that study made because we are embarking on a great project here that is going to cost—we would like to know where the point comes when it is going to be destructive or very harmful to the business economy of the country.

Secretary FLEMMING. Right.

The CHAIRMAN. Could you have a subcommittee of the Commission to do that?

Secretary FLEMMING. I will be very happy to look into that. Having been around only a few days, I am not familiar with the way in which this council has been operating but I will be very happy to look into it and to see whether or not we can have such a study made.

The CHAIRMAN. And let the chairman know?

Secretary FLEMMING. Right; I will be happy to report back.

Mr. Chairman, on the points we have been discussing Assistant Secretary Richardson has a point he would like to make and which I would be very happy to have him make.

Mr. RICHARDSON. Mr. Chairman, I though it might be somewhat clarifying if I said a few words about the character of the short-range and the long-range estimates that we have been discussing and the relationship to them of the proposed increase in contribution rates provided for in the House bill.

I think it should be made clear that when it is said that under existing law there is a long-term actuarial deficiency in the old-age and survivors insurance system of about a half percent we are talking about the quite remote future.

Actually even under existing law, the trust fund of the old age and survivors insurance system will build up gradually so that by

the year 2000 it is estimated on the basis of the intermediate cost estimate to aggregate about $54 billion.

The CHAIRMAN. That assumption is on the basis that the Congress will not increase the benefits without proportionate taxes?

Mr. RICHARDSON. Yes; I am speaking of the existing law.

The CHAIRMAN. That is a violent assumption.

We have gone into these benefits every 2 years, every election year, since this program started.

Mr. RICHARDSON. Under this assumption, under existing law, it would be $55 billion in the year 2000. Under the House bill it would be $163 billion in the year 2000.

The CHAIRMAN. That is conjectural, is it not? Because that depends upon the Congress increasing benefits without increasing taxes?

Mr. RICHARDSON. That figure is a projection based on the effect of the House bill. It does not purport to reflect what Congress will do.

The CHAIRMAN. Speaking of the future, speaking of the year 2000, you indicate the Congress is going to increase taxes whenever benefits are increased?

Mr. RICHARDSON. This is solely a projection of the House bill.

The CHAIRMAN. That is based on the fact that no future legislation will be enacted?

Mr. RICHARDSON. Exactly.

The CHAIRMAN. That increases benefits and at the same time that it increases taxes?

Mr. RICHARDSON. That is true, Mr. Chairman.

I merely am trying to illustrate the fact that even under present law, notwithstanding short-run excesses of benefit payments over income to the fund in the years 1960 through 1964, the trust fund would nevertheless after 1965 increase until in 2000 it will total about $55 billion.

The effect of the House bill, as well as erasing deficits in the years 1960 through 1964, is to produce much larger increments to the trust fund by the year 2000, and when we talk about a long-term actuarial deficiency of about a half percent we are talking about a deficiency in the years 2050 and beyond. The real effect of the House action in increasing taxes or rather accelerating the scheduled increase in taxes, is thus to shift a larger ultimate share of the cost of the system to the present generation of contributors.

If that were not done, the effect would be to defer those taxes to some future generation of workers and employers, even under present law.

Senator CARLSON. Mr. Chairman, while we are looking to projections, I believe my figures are correct that, at the present time, we have about 15 million people, or 8½ percent of our population, that are 65 years or older, and in about 1975 it is anticipated that we might have 21.5 million, or 10 percent of the population. I am sure that is counted into this projection you are making.

Mr. RICHARDSON. Yes; it is, Senator Carlson.

Senator DOUGLAS. Mr. Chairman, may I ask a question on this very point?

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. Isn't there another safety factor which is not taken into account; namely, the upward drift of earnings? I may say I think Mr. Myers is an extremely good actuary, and very con-

servative, and, as an actuary, he should be conservative, but, if one considers that the average earnings will continue to increase to 1965 as they have——

Mr. MYERS. Yes, Senator Douglas; we assume the earnings are level in the future at the level of 1956.

Senator DOUGLAS. But during the time the system has been in effect, there has been a continuous trend upward of earnings? Isn't that true?

Mr. MYERS. Yes.

Senator DOUGLAS. Unless the future differs very much from the past, this upward movement will continue, and as it continues the receipts will rise and will be a greater safety factor than that which is allowed. Since the benefits will not increase at the same rate as the receipts, there is therefore, an additional safety factor which is built in; isn't that true?

Mr. MYERS. Yes, Senator Douglas; that is correct. We have always done that on the basis——

Senator DOUGLAS. I understand.

Mr. MYERS (continuing). That the existing plan was built for the economy of today and, if the economy changed——

Senator DOUGLAS. I merely wanted to reinforce Mr. Richardson's point that we need not be prophets of gloom and doom on this.

Senator FREAR. I think, Mr. Chairman, as well as what the Senator from Illinois has said, the basis is on what you term the high employment which, in our terms, means full employment; isn't that true?

Mr. MYERS. That is just about the case; it really means close to full employment.

Senator WILLIAMS. But, getting back earlier to what you said 10 minutes ago, you said your basis was upon $180 billion payroll today; that was projected to a figure of $280 billion payroll. Are you telling us that you don't use any increase of the $200 billion in your computation, or are you figuring it will be $180 billion in 2000?

Mr. MYERS. Senator Williams, the reason for that increase is solely due to the increase in the population of the country; more people will be working but still are assumed to receive earnings at the rate they were being paid in 1956.

Senator WILLIAMS. And you figure on no increased wage scale above 1956 throughout your computations?

Mr. MYERS. That is correct, Senator.

The CHAIRMAN. Have you made any allowance for inflation in future years?

Mr. MYERS. No, sir. We have assumed that the earnings level would stay the same as in 1956, because although in past history the earnings have continued to rise, as Senator Douglas has said, we think that the assumption we should use for earnings should be consistent with the benefit level established by the program at the time, in other words the way the program was in 1956, and the benefit formula at that time.

The CHAIRMAN. Are there further questions of the Secretary?

Senator LONG. Yes, sir.

Senator KERR. I have some.

The CHAIRMAN. Senator Kerr?

Senator KERR. Mr. Chairman, I am trying to analyze the opposition of the administration to the public assistance feature of the bill.

The first sentence after stating your authorization says:

We believe that H. R. 12549 incorporates some very desirable administrative principles.

Do you mean by that you think the formula for the additional assistance provided is a better one than the one now in use?

Secretary FLEMMING. Senator Kerr, we do believe that it constitutes an improvement over the existing formula.

Senator KERR. Well, then, assuming that Congress is of a mind to provide increased public assistance, would you recommend that it do so on the basis of the formula in this bill or on the basis of the historical formula heretofore used by the Congress when providing additional benefits?

Secretary FLEMMING. We think that the elements in the formula to which I referred in my testimony constitute an improvement over the existing formula, and we would hope that those principles would be incorporated in any future revisions of the public assistance formula.

As I indicated, and of course as you appreciate the existing formula expires on June 30, 1959, and these principles, which I have lined and which I have regarded as acceptable are principles that we would keep in mind in making any recommendations to the Congress at its next session.

Senator KERR. In other words, then, if the Congress had in mind to make or to increase the assistance program by as much as is provided in this bill, you would feel that the formula in the bill is a better one to do it with than on the basis as it has been in the past where we just voted for an additional $5 increase either top or bottom of the assistance program?

Secretary FLEMMING. That is right. The principle with which we take sharp exception is the principle which steps up the percentage of the Federal contribution.

Senator KERR. Well, what percent does the Federal Government now pay, say, of the first $30?

Secretary FLEMMING. The first $30 is 80 percent.

Senator KERR. Would you prefer that the Federal Government pay the first 80 percent of the first $30 as now provided and then the addition under this formula?

Secretary FLEMMING. Senator, the position we take is that a formula should be worked out which would not increase overall——

Senator KERR. Which would do neither?

Secretary FLEMMING. Which would not increase overall the percentage of the Federal contribution to the public assistance program.

Senator KERR. In other words, then, you would want a formula worked out that would make it possible for additional benefits in those States where the States are in position to proportionately increase the benefits which they provide?

Secretary FLEMMING. I have recognized the fact, Senator, that if the kind of a formula that is incorporated in the bill, were applied to the problem in such a way as to prevent an increase in the total Federal participation, that that would mean that some States would undoubtedly share to a greater extent than they do now in the Federal funds.

Senator KERR. Or else——

Secretary FLEMMING. And other States would not share as much.

Senator KERR. Or else the beneficiaries would not get the increase?

Secretary FLEMMING. No; it seems to me that there is nothing that we suggest that would keep anything away from the beneficiaries unless the State itself—unless some of the States themselves decided to reduce the amount.

Senator KERR. Well, Mr. Secretary, if you worked out a formula whereby a State would have to increase the percentage it paid to the beneficiaries and it was not in position to increase the money under its program, but the formula of an increased percentage by the State was applied to the amounts received by the beneficiaries, then the amount received by the beneficiaries would automatically be reduced, would it not? I mean that is just a matter of simple mathematics.

Secretary FLEMMING. That is right. Senator, we assume it is possible for the States to participate to a greater extent in the public assistance program than is now the case.

Senator KERR. But the question I asked you was assuming they were not?

Secretary FLEMMING. If you indulge in that assumption, which I do not indulge in, why, of course, you would follow through to the conclusion that you have stated.

Senator KERR. That the change in the formula with reference to beneficiaries in the States where the States are not able to substantially increase the benefits would result in a decreased amount to the beneficiaries?

Secretary FLEMMING. In some States.

Senator KERR. In those States that I have described without naming.

Secretary FLEMMING. That is right.

But again, as I say, I would not start from that assumption, that is the difference.

Senator KERR. Well, you made that clear, Mr. Secretary.

Secretary FLEMMING. Right.

Senator KERR. But it is not binding on the committee.

Secretary FLEMMING. Of course not.

Senator KERR. And it is all right if I asked what the result would be in indulging in the other assumption?

Secretary FLEMMING. I just want to——

Senator KERR. Since we are indulging in assumptions we are not limited to one, are we?

Secretary FLEMMING. No, sir. [Laughter.]

Senator KERR. Now, in your statement you say:

If the States find that increased payments to individuals are needed, the Federal Government already is in position under the existing law to match, on a 50-50 basis, State funds to increase payments for 60 percent of all the persons now receiving old-age assistance.

That is in the States with the lower average payments on the beneficiaries, is it not?

Secretary FLEMMING. That is correct.

Senator KERR. So that the present formula, while it has resulted in an increase in the percentage paid by the Federal Government in the entire country, is one in which the Federal Government is a party to the lower average paid in the States where such lower average is being paid?

Secretary FLEMMING. Senator Kerr, I would say that the decision that has been made to pay at a lower rate has been a decision made by the States, not by the Federal Government.

Senator KERR. Concurred in by the Federal Government insofar as the payments received by the beneficiaries is concerned?

Secretary FLEMMING. No. The Federal Government is sitting here saying that if you decide to increase those benefits, we have funds available which we will match on a 50–50 basis.

Senator KERR. Up to a certain point?

Secretary FLEMMING. That is right.

Senator KERR. You do not match it 50–50 above that certain point?

Secretary FLEMMING. That is correct, but we are not talking in connection with the States——

Senator KERR. I am not trying to attach blame one way or another, I am just trying to get into this record the facts.

Secretary FLEMMING. Right.

Senator KERR. Now, the facts are that in the States where this 40 percent is——

Secretary FLEMMING. Sixty percent.

Senator KERR. No; 60 from 100 leaves 40. I am talking about the 40.

Secretary FLEMMING. All right.

Senator KERR. The States are paying a proportionately higher percentage of the total than the Federal Government, are they not?

Mr. SCHOTTLAND. Not necessarily.

Senator KERR. Well, the Federal Government participates in the first $60, does it not?

Mr. SCHOTTLAND. That is right.

Senator KERR. If the State is paying $120 there is $60 of it that the Federal Government does not participate in a dime, is that correct?

Mr. SCHOTTLAND. That is correct.

Senator KERR. So any time it goes above $60 total to the beneficiary the percentage of the Federal Government in the amount paid on that beneficiary starts declining; is that right?

Secretary FLEMMING. That is right.

Senator KERR. So that while there are 60 percent of the States in which——

Secretary FLEMMING. Sixty percent of the persons.

Senator KERR. Well, that is pretty well related to the programs within the States, is it not?

Mr. SCHOTTLAND. There are many States that pay much above $60 and would have a large number of persons receiving under $60.

Senator KERR. But to the extent they have persons receiving above $60 the percentage of the Federal participation in the amount paid to those beneficiaries correspondingly decreases?

Mr. SCHOTTLAND. That is correct.

Senator KERR. And the formula in this bill would change that, would it not?

Secretary FLEMMING. Yes, that is correct.

Senator KERR. That is the reason you say it is a better formula than the one now in force or in effect?

Secretary FLEMMING. I feel that what is really an equalization feature that is incorporated in the House bill makes very good sense.

The CHAIRMAN. But you are opposed to its inclusion at this time?

Secretary FLEMMING. We are opposed to including it and other features in such a way as to increase the overall percentage of Federal participation.

Senator KERR. You would prefer the spending of this amount of Federal money under this formula to the spending of the same amount of money if the Congress decided to let the Federal Government pay 80 percent of the first $35 or 80 percent of the first $40 rather than 80 percent of the first $30 as now provided?

Secretary FLEMMING. That is correct, Senator.

Senator KERR. Now, if the Federal Government provided for an additional $5 in those States where it would be matched by the States, can you tell the committee the amount of the average increase that would be provided to the beneficiaries?

Mr. SCHOTTLAND. Well, Senator, in the past, the history of these increases has been that for the first year not all States pass on all of the increase, but over a period of a year or two the States tend to pass it on, so that it is difficult to say what would happen in the first year; it would depend a great deal on the fiscal position of the States and the State legislatures.

Generally speaking, over a period of a few years—around 2 or 3 years—they pass on around $3 to $3.50 of a $5 increase.

Senator KERR. So if the Congress, as it has in the past, provided participation for an additional $5, the practice has demonstrated that that amount would not be received on the average by the beneficiaries in the States?

Mr. SCHOTTLAND. Except over a period of time, and over a period of time the tendency has been more and more to pass on the increase.

Senator KERR. But as you say, on the basis of experience your estimate is that within the first 2 or 3 years the pass-on would be about $3 to $3.50?

Mr. SCHOTTLAND. That is right. It might be a little higher. I do not have the exact figures here before me.

The amendments to the Social Security Act since 1946 have not resulted in any net decrease in State and local expenditures; all the States spent more from their own sources in 1955 than in 1946. In addition, except in a few States, average payments to recipients of old-age assistance and aid to the blind increased by the full amount ($15) provided by the 1946, 1948, and 1952 amendments combined, and many States raised payments more than $15. About 3 out of 5 States also increased payments in aid to dependent children by at least the full amount of the Federal increase under the 1946, 1948, 1950, and 1952 amendments.

Senator KERR. In your statement you say:

> In recent years a steadily increasing portion of total public assistance costs has been shifted from the States to the Federal Government.

You said in 1936 State and local governments provided how much—80 percent, was it?

Secretary FLEMMING. In 1937 it was 80 percent.

Senator KERR. Now in 1937, the States and local governments provided 80 percent.

How much was the average received by the beneficiaries at that time?

Mr. SCHOTTLAND. The average received by the beneficiaries, we do not have an average payment readily—we could get that for you in a moment.

Senator KERR. All right. I want to congratulate the Department of which you have become a part, Mr. Secretary. It comes nearer having the information available to answer the questions asked by this committee, I believe, than any other one that comes here.

Secretary FLEMMING. I appreciate that very much.

Senator KERR. So you proceed with perfect confidence because any question that any member of this committee could think of can be answered by somebody that you have got around.

Secretary FLEMMING. Thank you, sir. It gives me a very comfortable feeling. [Laughter.]

Mr. SCHOTTLAND. While we are looking up the exact amount I might give you the figures as to percentages.

Was your question for 1937?

Senator KERR. That is the first date he gave us.

Mr. SCHOTTLAND. Taking old-age assistance——

Senator KERR. Yes.

Mr. SCHOTTLAND. First, 1937, the average amount expended in the country for old-age assistance was $19.46.

Senator KERR. Per person?

Mr. SCHOTTLAND. Per person.

Senator KERR. And the States on an average paid 80 percent of that?

Mr. SCHOTTLAND. Well, the States in 1937, yes, paid around 80 percent of that.

Senator KERR. Now then he tells us that in 1946 State and local governments provided 60 percent of the costs of all public assistance, what was the average amount received by old-age beneficiaries that year, total?

Mr. SCHOTTLAND. I should point out, Senator, that that figure of 80 percent—the exact figure is 78½ percent—that is for all public assistance, not just for old-age assistance.

Senator KERR. If there is a considerable difference then tell me because what I am just trying to do, what I am trying to do here, Mr. Secretary, is to show that in the beginning, although the program was very limited, the States bore the most of it.

Secretary FLEMMING. Yes; that is right.

Senator KERR. And I do not believe, I really do not believe, that anybody representing the Federal viewpoint can point with much pride to how much the Federal Government was paying to those beneficiaries who were receiving such low amounts; do you?

Secretary FLEMMING. I would concur in that.

Senator KERR. That is not a source of pride to the Department; is it?

Secretary FLEMMING. I would concur in that.

Senator KERR. That the average being received by the old people in the country was $19?

Secretary FLEMMING. That is right.

Senator KERR. And that the Federal Government, in its majesty and might was paying nearly a total of $4 of that; you do not point to that with pride; do you?

Secretary FLEMMING. I do not.

The CHAIRMAN. That is when the dollar was worth something.

Secretary FLEMMING. That should be pointed out.

Senator KERR. Was the Federal dollar worth any more that it furnished than the State dollar that it furnished?

Secretary FLEMMING. No.

Senator KERR. Does the chairman admit that?

The CHAIRMAN. The chairman says that the $19 in 1937 were worth far more than they are today.

Senator KERR. That is absolutely correct. I was not——

The CHAIRMAN. It was worth much more.

Senator KERR. It was worth 100 percent more then than it is now, if the chairman wants to get it correct. But the point about it is that the dollars furnished by the State in 1937 were worth just as much as the dollars furnished by the Federal Government dollar for dollar. That is correct; is it not?

The CHAIRMAN. Yes, but the Senator spoke of the ability of the States to do certain things.

Isn't it true that most States in this Union have balanced budgets, so far as you know?

Secretary FLEMMING. That is my understanding.

The CHAIRMAN. Isn't it true we have——

Secretary FLEMMING. I will furnish the information on that.

(The following was later received for the record:)

In 15 States, general revenue exceeded general expenditure by 3 percent or more in 1957 and in 14 States the difference between general revenue and general expenditure was less than 3 percent, according to the most recent compendium of State Government Finances issued by the Bureau of the Census. In the remaining 19 of the 48 States, general expenditure exceed general revenue by 3 percent or more in 1957.

Senator KERR. That is fine and you are going to find a lot of them without balanced budgets.

The CHAIRMAN. Let us find out what the State deficits are and compare them with the Federal deficit.

Isn't it true we are facing a $12 billion Federal deficit?

Secretary FLEMMING. That is correct.

The CHAIRMAN. Isn't it true we are not likely to have a balanced budget for many years?

Secretray FLEMMING. Mr. Chairman, I am not in position, I think, to project.

The CHAIRMAN. The Secretary of the Treasury will appear before this committee next week and will state there is no prospect in the reasonably near future for a balanced budget.

Senator KERR. I thoroughly agree with that. I do not want to engage in an argument here with a man for whom I have as much respect as any living man but I do not believe the chairman of the committee wants to eliminate that deficit at the expense of the people on the old-age assistance rolls.

The CHAIRMAN. I did not say wanted to eliminate it.

I say the future of this country depends on a balanced budget over the years to come. Our budget has been out of balance practically for 25 years. We have accumulated enormous debts and with them this terrible inflation.

Now, the time is coming when we have got to balance this budget, otherwise inflation is going to destroy our economy, and certainly continuing inflation robs people on the old-age assistance rolls. They are among those who are hurt first and most.

Senator MARTIN. Mr. Chairman, you might also add this, that we are most unfair to the beneficiaries of social security or old-age assistance unless we give them a sound dollar and not an eroded dollar.

Senator KERR. I want to tell you they are not in much shape to try to arbitrarily demand as to what kind of a dollar you give them and I want to say that I know a lot of them, if you wait to give them any more until you can give them a sound dollar, it may be too late to be very helpful to them. [Laughter.]

I would rather give them a sound dollar than an unsound dollar and I say that without admitting that the present dollar is an unsound dollar, Mr. Chairman. But it is the only dollar we have got, is it not? [Laughter.]

The CHAIRMAN. Unfortunately, it is.

Senator KERR. So if we are going to give them——

The CHAIRMAN. I would much prefer to have the dollar back to the 1939 value.

Senator KERR. I made a little statement here one day on how we could do that and I will just refresh the chairman's memory on it.

The first thing we ought to do if we are going to restore the 1939 dollar is to reduce congressional and governmental salaries to the 1939 level.

The CHAIRMAN. I will agree to that——

Senator KERR. The next thing——

The CHAIRMAN. You did not allow me to finish my statement. I will agree to that if we reduce the expenses and stop inflation.

Senator KERR. The next thing we ought to do and will have to do is to reduce the cost of labor to the 1939 level.

The only way you can increase the value of the dollar is to reduce the value of what it purchases. So if we——

The CHAIRMAN. The Senator does not object to an inflationary dollar.

Senator KERR. I do but I am just telling you——

The CHAIRMAN. You are arguing in favor of it?

Senator KERR. Not at all. I am just telling you how we can achieve that very worthy objective and I think when we start out to do that we ought to start out early in the terms of those doing it so we will still be here to finish the job. [Laughter.]

You see the first thing——

The CHAIRMAN. Let me ask the Senator a question.

Senator KERR. Let me finish my formula and I will be glad to answer any question.

Senator ANDERSON. Who is testifying?

Senator KERR. To be entirely consistent, if we are going to restore the value of the 1939 dollar we ought to reduce our own salaries to the 1939 level and then all Government employees, and then being inspired by that noble example, we would pass a law reducing the wage scale to the 1939 level, and then if we were still here [laughter] and still sustained by the courage that had carried us thus far, we would next reduce the value of agricultural production to the 1939 level and——

Senator ANDERSON. It is there.

The CHAIRMAN. Does the Senator approve of the inflation?

Senator KERR. No, sir, I do not, and let me finish my formula.

The CHAIRMAN. You are talking on two sides here.

Senator KERR. Not at all.

The CHAIRMAN. I asked if you approve of cutting the value of the dollar down from 100 cents where it was in 1939 to 48 cents where it is now.

Senator KERR. I suggest it is not entirely conclusive.

The CHAIRMAN. It is just as conclusive as some of the statements the Senator made. Nobody is cutting down the salaries on the 1939 dollar level. I contend if we continue this inflation and lose as much of the purchasing power in the next 15 years as we lost in the past 15 years that then we are going to destroy our economy.

Senator JENNER. There is no argument about that, is there?

Senator KERR. I don't think we are going to destroy the economy, but I will tell you right now you are going to shatter my train of thought unless you let me finish. [Laughter.]

The CHAIRMAN. If I am able to shatter the Senator's train of thought——.

Senator KERR. I might not approve of being out in the sun without any protection in a 120° temperature. But I would not want the only alternative to be placed in a deep freeze where it was 20° below zero.

The CHAIRMAN. It would appear that you have destroyed your own train of thought. You have brought up a new issue entirely.

Whether you would be out in the sun or in a deep freeze [laughter] has never been mentioned before.

Senator KERR. The Senator said that the only alternative, as I understood him, to the destruction of our economy by inflation was the restoration of the 1939 dollar.

The CHAIRMAN. The Chairman did not say that.

Senator KERR. You said you wanted very much to restore the value of the 1939 dollar.

The CHAIRMAN. Of course, we must take into account such sound progress as has been made since 1939. But I am opposed to inflation. Progress based on inflation is not sound. I think inflation is destructive to this country and great inflation has occurred since 1939.

Senator KERR. I say to the Senator we need not be destroyed either by returning to the 1939 dollar or inflation.

The CHAIRMAN. The Senator is willing to go along and have inflation and not object to it and then argue you cannot go back to a certain dollar, in a certain year, because you would have to reduce the Senator's salary and that of Congressmen and everybody else and we will all be defeated, and there would be nobody here.

Senator JENNER. That would be good. That might help. [Laughter.]

Senator MARTIN. Might I say something relative to the reduction of salaries?

Back in the early thirties, I helped reduce the salaries including my own in the Commonwealth of Pennsylvania, and, unfortunately, I am still on the payroll.

Senator KERR. I don't think it is so unfortunate, Mr. Chairman.

Senator MARTIN. Thank you.

Senator KERR. Let me finish giving the formula, because the only way, the only way you can increase the value of the dollar is to reduce the price of what it buys.

The CHAIRMAN. You can prevent further inflation to a certain extent.

Senator KERR. That is one thing.

The CHAIRMAN. You can prevent further inflation or encourage further inflation. I have never contended that we can abruptly recapture purchasing power of the dollar once it is destroyed by inflation. One reason I am so opposed to inflation is because of the difficulties in recovering from it.

I am opposed to further inflation.

Senator KERR. We recovered the value of the dollar in the early thirties and there was a restoration of the value of the dollar in a very few years to a point of higher than it had been in 15 years.

Senator JENNER. Through war.

Senator KERR. No, through depression.

And now if I may be permitted in connection with the questions I was asking.

The CHAIRMAN. I am sorry to interrupt the Senator.

It brings out new thoughts. I did not think we were being in the deep freeze or in the heat had anything to do with the discussion.

Senator KERR. It had just this much: What I was trying to show the Senator was that in my questioning and statement I favor neither the return to the value of the 1939 dollar nor do I favor ruinous inflation.

The CHAIRMAN. What do you favor?

Senator KERR. I favor being permitted to finish this formula right now. [Laughter.]

The CHAIRMAN. All right. But this is becoming a long and involved formula. The Chair hopes there will be no further interruptions.

Senator KERR. That is all right. But you see we just reduced the value of the salaries of Members of the Congress and the employees of the Federal Government, we reduced wages of labor to the 1939 level, we had restored the dollar by reducing the value——

The CHAIRMAN. You do not apply that to the Senator from Virginia, do you?

Senator KERR. No.

The CHAIRMAN. First you accused me of that.

Senator KERR. Not at all. You were the one who said you would like to see the restoration of the 1939 dollar.

The CHAIRMAN. In substance the chairman said he wanted a dollar worth 100 cents.

Senator KERR. I did not add a thing to that.

I was just putting into the record here a formula whereby that objective could be achieved.

Senator WILLIAMS. It might help a little bit of both because one part of that formula when you get down to it to rolling back would be to roll back the national debt which is a mathematical impossibility, and I think all of it is a lot of talk that cannot be achieved.

Senator KERR. That is a difference in viewpoint. I found out——

Senator WILLIAMS. Are you going to roll back the debt, too?

Senator KERR. I found out you can get in debt with high-value dollars just the same as you can with low-value dollars.

Senator WILLIAMS. What would do with the debt when you roll that back?

Would you roll back the debt to the 1939 level, or how would you do that?

Senator KERR. Of course you would not. You do not change the exact number of dollars in the national debt whether you increase or decrease the value of the dollar.

Senator WILLIAMS. That is the point the Senator from Virginia made, that once inflation is an accomplished fact, it is mathematically impossible to roll it back.

It may be controlled, it cannot be rolled back.

Senator KERR. I am not saying it is impossible to do. I do not think it is impossible to do. I am telling you how to do it.

Then, if men were still here in the Congress after having achieved those objectives, they would then have to restore the value of services such as those performed by lawyers, doctors, of optometrists, nurses, engineers and others——

Senator FREAR. Would the Senator object to putting that in the second place instead of sixth?

Senator KERR. Not a bit in the world. They are all part of the pattern. I just felt this about it, that if we did survive as elected officials having done the first three that I referred to, I would want to remind Senators that doing the latter would certainly——

Senator FREAR. Finish it.

Senator KERR. Finish it, that is right.

Senator BENNETT. Mr. Chairman——

Senator KERR. That is what it would do.

Senator BENNETT. That is a very interesting discussion but I am looking at this long list of witnesses with 2 days of hearings, and I would respectfully suggest that maybe it could be saved for another occasion and we could go back to the problem before us.

Senator KERR. I thank the Senator for monitoring the time of me and the Chairman. [Laughter.]

I can only say to him that I asked the witness a question as to whether or not the dollar furnished to the recipient by the Federal Government in 1937 was of the same value as the dollars furnished by the State.

Senator BENNETT. The witness answered the question.

Senator KERR. He did, and then the train of questioning was interrupted by our esteemed chairman and others on the committee, and I do not know how either the Senator from Utah nor the Senator from Oklahoma can prevent that having occurred or its reoccurrence. [Laughter.]

You might roll back the national debt——

Senator BENNETT. But you cannot roll back the Senator from Oklahoma. [Laughter.]

Senator KERR. You might roll back the Senator from Oklahoma.

The CHAIRMAN. Never.

Senator KERR. But I assure you you are not going to roll back the membership of this committee. [Laughter.]

Now then, in 1946, Mr. Secretary, you said that the State and local governments provided 80 percent of the costs. Do you give me the annual amount that the old-age survivors were receiving then?

Secretary FLEMMING. $35.31 was the average old-age assistance payment.

Senator KERR. About $35, let's say.

The Federal Government was furnishing 40 percent of that which would be $14 a month, and the States $21 a month?

Secretary FLEMMING. I do not have the exact figures that far back, the Federal Government was furnishing more than 40 percent.

This is the percentage of all public assistance and I am giving the dollar figure only for old-age assistance.

Senator KERR. Well, but generally speaking, the relationship exists?

Secretary FLEMMING. There would be a similar relationship but the Federal Government was furnishing more than 40 percent at that time.

Senator KERR. Well, then, whatever percent——

Secretary FLEMMING. In that program.

Senator KERR. Whatever percent more they were furnishing to the aged, would be in dollars and therefore a corresponding percent less in aid to dependent children and the blind.

Secretary FLEMMING. That is correct.

Senator KERR. Now, Mr. Secretary, do you point with pride to the amount the Federal Government was contributing in 1947?

Secretary FLEMMING. Senator Kerr, it seems to me it could have undoubtedly done better at that time.

Senator KERR. You know I would think, Mr. Secretary, you would point with pride as one of the accomplishments of this administration to the fact that the Federal Government today was making it possible for the average beneficiary to receive how much?

Mr. SCHOTTLAND. Old-age assistance, the average beneficiary today is receiving, the latest average is——

Senator DOUGLAS. Sixty-one dollars.

Mr. SCHOTTLAND. Sixty-one dollars; that is correct.

Senator KERR. But by reason of the increases which the States have made and the greater increases which the Federal Government has made, old-age assistance beneficiaries now receive an average of $61 a month instead of the $19 they received in 1937; is that about correct?

Secretary FLEMMING. That is right. It does not allow as the chairman has pointed out for the difference in the value of the dollar but those are the actual dollar figures.

Senator KERR. But the dollars furnished by the Federal Government are still of the same value as those furnished by the State?

Mr. SCHOTTLAND. That is right.

Senator KERR. And therefore, this accomplishment that has been made possible by the Federal Government is not a source of pride to you nor the administration but one of regret?

Secretary FLEMMING. Senator, I have not said anything along that line. I have not even implied it. I have simply said in our judgment the overall percentage of Federal contributions to the public-assistance program should not increase.

Senator KERR. Well, if you approve it why did you use it as the basis of objection?

Secretary FLEMMING. Use what as the basis for objection?

Senator KERR. This tabulation of figures which shows that the Federal participation percentagewise has been increasing.

If you approved that why do you use it here as the basis to sustain an objection?

Secretary FLEMMING. I was not objecting and I did not state any objection.

The only objection that I stated was to a further increase in the percentage of Federal participation. That is the only thing I have objected to.

Senator KERR. Mr. Secretary, you start out by saying:

> The second major issue which I would like to discuss deals with the proposed changes in the Federal Government's participation in public assistance—

and you say you oppose that. Isn't that correct?

Secretary FLEMMING. I go back to page——

Senator KERR. I say you oppose that?

Secretary FLEMMING. I oppose a further increase in the percentage of Federal participation, nothing else.

Senator KERR. I thought you said you opposed the $288 million because that would increase the prospective deficit?

Secretary FLEMMING. I said I opposed it because it would increase the Federal participation, the percentage of Federal participation in this program. I called attention to the fact that it would likewise add to the Federal deficit but the basic objection is the one I have been stating.

Senator KERR. But you say that you would prefer this formula to the one that Congress has heretofore used?

Secretary FLEMMING. That is right, and I have stated, and I have outlined three aspects of the formula that are included in the House bill we think from an administrative point of view would improve the situation.

Senator KERR. Would you furnish by Monday morning the formula you would use if you were going to recommend a $288 million increase in the benefit program?

Secretary FLEMMING. Well, Senator—I think in response to earlier questions, that I stated to you that if the Federal Government is going to spend that amount of money, we would recommend the formula in the House bill.

Senator KERR. Well, I thank you very much for that because I do not think there is the slightest doubt, Mr. Secretary, but what the Congress intends to increase the amount of assistance. I don't think there is the slightest question of it, and that being the case, I think it is reassuring to have the statement by the Department that if we are to increase the amount then you recommend the formula in the bill.

Secretary FLEMMING. That is correct. The only basic objection that we have to the bill is the fact that it increases the percentage of Federal participation.

The CHAIRMAN. Senator Williams?

Senator Long?

Senator LONG. Mr. Secretary, you just have come here from the Office of Defense Mobilization?

Secretary FLEMMING. Well, a year and a half ago, Senator Long.

Senator LONG. A year and a half ago?

Secretary FLEMMING. Yes.

Senator KERR. Senator, would you yield for just one statement? I wanted to say I thought we had an excellent Secretary down there, and I think the present Secretary is one of the finest appointments that President Eisenhower has made, and I want that to go into the record, too, Mr. Secretary.

Secretary FLEMMING. Thank you, Senator.

Senator LONG. Are you familiar with the fact that this administration is recommending a mineral subsidy?

Secretary FLEMMING. Before I took office—I read about that in the newspapers; yes, sir.

Senator LONG. Do you have any estimate of what the cost of that is?

Secretary FLEMMING. I do not; I am not at all familiar with the bill.

Senator LONG. Would you be surprised to find out it is estimated to cost about $350 million a year?

Senator KERR. $600 million, according to the House committee that the bill they reported out, on the basis of the approval of the administration, would be in the neighborhood of $600 million.

Senator WILLIAMS. I think, to get the record straight, the administration is recommending one around $275 million, the Senate passed one for $350 million, and the House now has it to $600 million. It is growing, inflation.

Senator LONG. Do these figures surprise you as to the estimated cost of that mineral-subsidy program?

Secretary FLEMMING. Senator, I have not seen the overall figures. I am well enough acquainted with the problem that it is possible to develop a program that would involve that amount of money.

Senator LONG. My question is this: Is there any reason why this program for subsidizing minerals should be any less inflationary than the public-welfare proposal for benefiting about 9 million needy people in this country?

Secretary FLEMMING. Senator Long, anything that adds to the Federal deficit, of course, makes a contribution in the direction of inflation, one just as much as the other, and the only thing that I would like to point out is that, in connection with this public-assistance program, as I indicated in my prepared statement, as I understand it, in this country we have regarded these programs as State programs, and the thing that we are objecting to is a further increase in the percentage of Federal participation in the program. We are not objecting to an increase in the amount paid to the beneficiaries under this program. As I have pointed out in my statement, we feel that is possible, we do object to the increase in the percentage of Federal participation.

Senator LONG. Can you tell me how much or how many needy aged people were being assisted by State governments the year prior to the time that the Federal matching or public welfare started?

Mr. SCHOTTLAND. I am not sure I get your question.

Secretary FLEMMING. That is back to 1937.

Mr. SCHOTTLAND. 1937?

Secretary FLEMMING. Or 1936.

Senator KERR. Whenever the Federal program started.

Senator LONG. A year prior to the time when the Federal program started. How many aged were being assisted by State governments?

Mr. SCHOTTLAND. It is very difficult to give you that figure, because so many of them were in the category of general assistance. There were only limited special State programs. There were some State programs, but mostly programs of general assistance.

Senator LONG. What is your best guess?

Mr. SCHOTTLAND. Well, we could start from 1936 and guess from that. There were, in 1936, the first year of the program, 1,107,000. My guess is that, probably, before that, those assisted over 65 might have been, I don't know, maybe half that much. I think there was a tremendous increase the first year of the Social Security Act.

Senator LONG. That was with Federal matching?

Mr. SCHOTTLAND. Yes.

Senator LONG. Do you estimate that about half that number, before that time, would be the number?

Mr. SCHOTTLAND. That would be my guess.

Senator LONG. What is the number at the present time?

Mr. SCHOTTLAND. At the present time we have 2,460,000.

Senator LONG. 2,460,000?

Senator DOUGLAS. 2,464,000.

Mr. SCHOTTLAND. That is correct, Senator, if you want to be exactly accurate. Pardon me, Senator; I do have a figure for you prior to the Social Security Act. We do have just the year prior; it was 378,000 in 1935, and in 1934 it was 206,000.

Senator LONG. So, when the Federal Government started assisting the States in doing these things, the number of people being assisted trebled the first year that happened; is that a correct statement?

Mr. SCHOTTLAND. That is correct.

Senator LONG. And there has been a steady increase since that time in the number of persons assisted?

Mr. SCHOTTLAND. Yes, sir, prior to 1950, except during World War II.

Secretary FLEMMING. Senator, that is when it was on a 50-50 basis.

Senator LONG. Yes. Well, the matching has been liberalized since that time, and the number has been increased.

Do you feel that the payments to the aged are more than adequate at the present time?

Secretary FLEMMING. Senator, I would never say that. Obviously it is impossible for anyone to generalize in that particular area. You have got to know about the individual cases, but I certainly would never say that, and as I have indicated here, I am not contending that there should not be an increase in the benefit payments.

In all probability there are a good many instances where there should be an increase in them. I am simply contending that the States should assume a larger percentage of that load, as we move into the future.

Senator LONG. My impression of that argument is that this tends to happen. Someone says at the Federal level, "Now the Federal Government ought to require the States to do more."

So then at the State level, like thinking people tend to say that "Now the State really should not assume all that burden. The local government should do that."

Then they get down to the local level and some say, "The relatives ought to take care of that person."

If the person is poor, his children are seldom well off, so the father has to take his boy out of school and put the boy to work somewhere to try and provide family income so he can look after grandpa. It is a matter of robbing the cradle to try to provide for the grave by trying to take that approach to it.

At the local level for people with no relatives there was an old poorhouse approach saying "Here we can fix this up so it won't cost much, send them out to the county poorhouse, and just work those people until they drop dead." It seems to me we never have had an adequate program for the aged and the program has improved steadily since the Federal Government started putting up more money to assist the States in providing for these people.

Secretary FLEMMING. Senator Long, I would like to make it perfectly clear that I am in complete agreement with the increasing sense of responsibility on the part of governments for dealing with what I regard as a very serious problem, and it seems to me that as a society we have never gone anywhere near far enough in dealing with the problem in an adequate way.

But I appreciate, as you do, that you put your finger on one of the difficult problems in the field of Federal-State relationships.

I think the Federal Government has got a real obligation to set what I might call a national goal in an area of this kind and indicate what it is society as a whole, governments at all levels, and private institutions should be doing in order to deal with this problem in an effective manner.

On the other hand, I personally do not think that it is sound to see the States gradually move out of the picture from the standpoint of the assumption of fiscal responsibility or from the standpoint of making a contribution along fiscal lines to the achievement of these national goals.

I think the Federal Government has made a real contribution to the achievement of these national goals. I think we should continue to do it. And I recognize the fact that even staying with the present percentage, or the present percentage relationship between the Federal Government and the State government, that the Federal Government may have to spend an increasing amount of money on it.

But I think the time has come when we ought not to just let this curve of the percent of Federal participation keep moving up until it finally hits 80 or 90 percent because you and I know that if it does, this will no longer be an operation that will really be administered by the States and local communities.

You and I know it would ultimately become an operation that was administered by the Federal Government.

It is that trend that, it seems to me, is serious, and that we should attempt to halt.

Now we have been talking about rollbacks. I am not necessarily advocating rollbacks, and I appreciate the problems in rollbacks but the only thing that I am advocating here this morning is that we do not do something that will step up the percentage of Federal contribution to the total public assistance program.

I think the States that can—the States where it is possible for them to increase the amount for the aged and get matching on a 50–50 basis with the Federal Government—should do it.

I am sure that there are serious problems in these States but I feel that the States can assume a greater share of this responsibility than they are, as of this morning, and that is why we are objecting to a further increase in this trend.

Senator JENNER. Would the Senator yield right there for a question?

Senator LONG. I would like to examine the witness if I might and then——

Senator JENNER. It will never get down to me because we are going to cut these hearings off and right there is a point that is burning my soul.

Senator LONG. Go ahead.

Senator JENNER. If the States do take more of this responsibility, are you as a Federal Government willing to relax your stringent requirements on the States?

Secretary FLEMMING. Senator, it is difficult, of course, to respond to a generalized question of that kind in a generalized way.

Senator JENNER. Let me make it specific.

My State, for example, said "We are going to publish the people who receive old-age assistance," and the Federal Government says, "No; you are not. If you do we are going to withhold $20 million from your State."

Now why the State of Indiana did that was because people were using this as a graft.

Big strong men, boys, come in and make an affidavit that they cannot help their father and mother, that they were paupers in order for their parents to qualify to get money out of the Government, and you acquiesced in that and when Indiana tried to stop the frauds going on you said "No; you cannot."

What I am trying to find out is if the States will take more responsibility will you take your clammy hands off the States? [Laughter.]

Secretary FLEMMING. Senator Jenner, I know nothing about this statement.

Senator JENNER. I put an amendment through and that is the law, you cannot do it now. I am using it now as a specific example.

You said you could not answer a general question, I want to know if you want to keep a stranglehold on the States or if you are willing to let the States operate their own business if they put their own money in.

Secretary FLEMMING. Senator, I personally believe firmly in an area of this kind of the Federal Government setting certain general standards under which funds are to be expended——

Senator JENNER. What about the standard I just spoke of?

Secretary FLEMMING. Just a minute.

Senator JENNER. Do you call that a general standard?

Secretary FLEMMING. And delegate the authority to act to the States.

Senator JENNER. You did not delegate it, you said you cannot have $20 million of your own money that my people paid in because you would not follow our rules.

Secretary FLEMMING. Senator, I don't know about your comment——

Senator JENNER. Look it up, and bring it back to this committee and answer it.

Secretary FLEMMING. Let me say this, if this percentage of Federal participation continues to go up I am sure of the fact that Federal controls will continue to increase.

There is not any doubt in my mind about that. That is the way our form of government operates.

Senator JENNER. Well, there is no need to pick on the old people.

Secretary FLEMMING. And properly so.

Senator JENNER. I am not picking on that but the chairman of this committee put his finger on it. If we keep on doing all these things for all these people there is no question what will happen and we can sit here Congress after Congress and we cannot give you or anybody else enough money to take care of the old people in this country because it would not buy them a cold greasy pork sandwich.

Secretary FLEMMING. Senator, as I have tried to make clear I personally feel that society as a whole has got to go further than it has, I am talking not only about the Federal Government, I am talking about State and local governments, and I am talking about private organizations but I do believe that it is essential for us to try to arrive at a reasonable meeting of minds as to how far the Federal Government is going to go in terms of the percent of participation in this public assistance program.

Senator JENNER. But the answer to that general overall question——

Secretary FLEMMING. I do not want to go any further than that.

Senator JENNER. We have got to help these people but if we do not stop this inflation we are not going to help them or anybody else, are we?

Secretary FLEMMING. Senator, I am not arguing for any additional expenditure of Federal funds.

Senator JENNER. This bill as I understand it will increase the reserve of the Federal Government by several million dollars and you take that money that comes in, you do not hold it in trust for the old people but you spend it as fast as it comes in to help Poland and Czechoslovakia and so forth and when pay day comes it is not there, there is just an IOU in the till.

Secretary FLEMMING. Senator, I gather your present comments deal with the old-age and survivors insurance aspects of the bill?

We do favor the old-age and survivors insurance part because we believe that it will put the old-age and survivors insurance system on a sounder basis from a fiscal point of view at the same time that it gives what we regard as some needed increases.

Senator JENNER. Well, we must quit kidding the people of this country and we must quit kidding our old people who are going to need assistance; if we do not stop inflation we cannot pass enough bills and raise enough money to keep from starving to death.

You can say it any way you want to.

Secretary FLEMMING. I do not feel the old-age and survivors insurance part of the bill contributes to inflation.

Senator JENNER. I thank the Senator for yielding because I wanted to bring out that point.

Senator LONG. I just wanted to ask about this question.

Are you familiar with the fact in a great number of States a maximum is imposed on the amount that a State can provide for a needy aged person?

Secretary FLEMMING. Imposed by the State?

Senator LONG. By the State, yes.

Secretary FLEMMING. Yes.

Senator LONG. Do you feel that there is a tendency of States to hold their maximum at the point where they can have an advantageous amount of Federal matching or at least to the level of the Federal matching?

Secretary FLEMMING. Of course it is difficult to ascribe reasons for an action of that kind. If they do ascribe that particular reason, I think that is wrong, I think it is wrong policy, wrong policy as far as the State is concerned——

Senator LONG. Doesn't it encourage a State to go ahead and provide a more liberal maximum and provide more liberally for those for whom they are attempting to provide assistance if the Federal Government will match them up to the extent of their contributions?

Secretary FLEMMING. Well, basing it on the way human nature actually is I assume that possibly some States would react in that particular way, but my feeling is that we should not always encourage that kind of a relationship between the State and the Federal Government.

I mean the Federal Government should not act in such a way as to always encourage a State to assume less responsibility than it should assume.

Senator LONG. Do you know that under this administration the Federal Government had undertaken to pay 90 percent of the cost of building interstate highways?

Now why would the Federal Government want to increase its share to that great an extent, if it were not in large measure due to the fact that the States were having great difficulty finding sufficient funds for highways?

Secretary FLEMMING. Well, I am not familiar with that program so I am not in position to discuss it. But I appreciate the fact that States, like the Federal Government, have fiscal problems and I also appreciate the fact that in order to deal with some of these serious situations that we are having, States are at times, as well as the Federal Government, going to have to make some sacrifices in order to deal adequately with it.

I just feel that we are at the point now where we should encourage the States to do more in the way of making some sacrifices to deal with this very real and very human problem.

Senator LONG. We have had an 8-percent increase in the cost of living and a lot has been said about that.

People who are poor feel the increase in that cost of living the most, the pinch is greater on them is it not?

Secretary FLEMMING. Sure.

Senator LONG. The needy who have to depend on that weekly check for bread feel that increase in cost more sharply than someone who has a surplus income.

Secretary FLEMMING. Sure.

Senator LONG. If you had to choose between the Federal Government participating more fully in providing for the aged and the needy and between the job not being done or not being done adequately which would you prefer?

Secretary FLEMMING. Senator, I do not believe that I have to make that choice. I believe that it is possible for the job to be done and be done adequately by maintaining the right kind of relationship between the Federal and the State government.

The thing I am interested in, I am sure every one is, is to keep the administration of a program of this kind as close to the grassroots as it is humanly possible to keep it, and I think if this trend continues of increasing the percentage of Federal participation in the program, you are gradually going to take the administration away from the grassroots where, in the final analysis you get the best results.

Senator LONG. If you want to keep it so close to the grassroots why do we have a public assistance program at all?

Why don't we just have an insurance program if you want to keep public assistance at a State level?

Secretary FLEMMING. I appreciate, Senator, we have got to try to strike a balance. I appreciate the fact that you can take issue with my judgment as to what the proper balance is and I with you.

I know it is not something that lends itself to objective measurements. But I do think that there is a basic principle involved here which, it seems to me, has a direct relationship to the total effectiveness of our programs in the field of public assistance, and that is the only reason I am taking the position I am at the moment.

Senator LONG. Just one more question, Mr. Secretary, and then I am through.

You have in this bill a provision which provides for about a $38 minimum.

Do you think that any retired person can live on $38 a month?

Secretary FLEMMING. You are now talking about old-age and survivors insurance?

Senator LONG. Yes.

Secretary FLEMMING. My response to that is: If he has no other source of income, no; I don't think it is possible for him to do so. And as far as the fixing of the minimum is concerned, Commissioner Schottland is in better position to indicate the reasoning back of that than I am.

Senator LONG. My question is: Should not we try to find some way under this program, if we are going to try to work an insurance program and move in the general direction of universal coverage to provide a minimum adequate enough so that the person who is being insured would not have to go down hat in hand to the welfare office and ask for welfare assistance when he finds it necessary to retire?

Secretary FLEMMING. Senator, as I understand it, of course that has been the overall objective of the executive branch and the Congress to gradually strengthen the insurance program in the hope that that would reduce the necessity of persons asking for public assistance.

Now, whether over a long period of time we can accomplish an objective of that kind I do not know but I think it is a desirable objective just as you do, I think we should move in that direction.

Senator LONG. I would hope we could increase it to at least $40 under this bill, and I am just curious to know the attitude of the Department.

Secretary FLEMMING. May I ask Commissioner Schottland as to just how this particular figure was arrived at?

Mr. SCHOTTLAND. Well, this is historical, as the Senator knows, but I would like to point out that a very large percenatge of the people at the minimum are not low-wage earners necessarily.

They are people who are in and out of the system, so that their earnings under the system are low. This does not mean that their total earnings are low.

For a person to receive the minimum, under the bill, his average wage would have had to be at or below $54 per month.

There are not many people in the labor market today with average earnings of $54 per month or less except those who are in and out of the labor market, or in and out of covered jobs.

So by increasing the minimum you do not necessarily help the low-income worker. You would help those who are in and out of covered work, such as maybe an occasional doctor who would get some job for which he would get credit toward old-age and survivors insurance or a housewife who may get an occasional job, or something of that kind.

Senator LONG. Do you think that the primary benefit should be at least $40 if the person is not drawing retirement from some other source?

Mr. SCHOTTLAND. Well, if the import of the question is $40 sufficient to live on, the answer obviously is, it is not.

Our feeling has been that merely raising the minimum itself does not really help the low-income wage earner, but rather the person who has worked only intermittently in the covered jobs.

Senator LONG. In Louisiana, we have a liberal public assistance program as far as eligibility is concerned, and we are proud of it, but we find that about 40 percent of the aged people who are drawing social security payments there are drawing such small amounts that they find it necessary to supplement their income. It would seem that the purpose of the program was to see that would not be necessary.

That is a pretty high percentage. We try to provide a $68 old-age assistance minimum. We go beyond the point where the Federal matching ceases. I would hope you would help us to work out something here so that this program of insurance would be adequate so they would not have to ask for public assistance, because they would have adequate income from their insurance program.

Mr. SCHOTTLAND. Nationally, Senator, about 18 percent of the retired worker beneficiaries are betting the minimum and this is gradually going down so that more and more as the program continues you are having fewer and fewer people at the minimum or very close to the minimum.

Senator LONG. Thank you.

Senator WILLIAMS. Mr. Schottland, there was some mention made to a Commission studying this whole problem. That Commission was appointed in 1956, I think.

Mr. SCHOTTLAND. As a result of the 1956 amendments. The Advisory Council was actually appointed in 1957.

Senator WILLIAMS. How many members are there on the Commission?

Mr. SCHOTTLAND. There are 12 members.

Senator WILLIAMS. You are a member of the commission?

Mr. SCHOTTLAND. By law I am the Chairman.

Senator WILLIAMS. Yes, could you tell us the membership of the rest of it?

Mr. SCHOTTLAND. The chairman asked that we put it in the record, but we will be very glad to give it to you now if you wish.

Senator WILLIAMS. Well, I mean the reason I ask that question, it would be put in the record but I did not want to get from your other answer that you did not know the membership of the Commission, that you could not give it.

Mr. SCHOTTLAND. No, sir. I know it very well.

Senator WILLIAMS. I was going to say I though in 2 years you would have gotten acquainted enough so you would know them now.

Mr. SCHOTTLAND. Yes; I do know that, Senator.

The CHAIRMAN. Let him give the Commission.

Mr. SCHOTTLAND. The Advisory Council is constituted as follows:

There are 3 employer members, 3 employee members, and the others are members from the general public.

The three employer members are Mr. Reinhard A. Hohaus, the vice president and chief actuary of Metropolitan Life Insurance Co.; Mr. Elliott V. Bell, chairman of the executive committee of McGraw-Hill Publishing Co.; and Mr. Robert A. Hornby, the president of Pacific Lighting Corp.

The 3 labor members are Mr. Nelson H. Cruikshank, director of the department of social security of the AFL-CIO, and 2 other members of the social security committee who represent 2 large unions; Mr. Eric Peterson of the International Association of Machinists, and Mr. Joseph W. Childs of the United Rubber, Corp., Linoleum and Plastic Workers.

The six public members are Dr. Douglas Brown of Princeton University; Dr. Thomas N. Hurd, of Cornell University; Dr. Carl H. Fischer, of the University of Michigan; Mr. Malcolm H. Bryan, the president of the Federal Reserve Bank of Atlanta; Dr. Arthur F. Burns, former Chairman of the Council of Economic Advisers and now president of the National Bureau of Economic Research; and Mr. R. McAllister Lloyd, who is president of the Teachers Insurance & Annuity Association.

The CHAIRMAN. Are there any further questions?

Senator ANDERSON. I only wanted to ask a couple of short questions, I would hope.

Mr. Richardson, did I understand you to say correctly that the trust fund by the year 2,000, assuming we recognize there can be changes in the law but just taking the law as it is now, that the trust fund might build up by 2000 to $50 billion?

Mr. RICHARDSON. Under present law, yes, Senator.

Senator ANDERSON. Under this proposed new law, it would build to $188 billion?

Mr. RICHARDSON. To $163 billion, according to the intermediate-cost estimate.

Senator ANDERSON. By that system, you would have the present generation or the next 1 or 2 paying for future generations? Had

you given any thought toward trying to keep the rates down far enough so that this tremendous increase would not take place?

Mr. RICHARDSON. Well, the considerations which led the Ways and Means Committee to make the changes that would have this result were that, after the year 2030, the tremendous fund that would by then have built up will start to go down again, and will run fairly heavily into the red, perhaps, beyond 2050, so they wanted to bring it into a longer term adjustment from then on.

Senator ANDERSON. Senator Carlson and I have been on the Ways and Means Committee over in the House, and we recognized they had a right to take that position. What position does your Department take? Do you think it is desirable to put all this burden between now and the year 2000 for problems that will arise after the year 2000?

Mr. RICHARDSON. We think that it is desirable to bring the system, as a whole, more nearly into balance, taking it into the long-range future, which can be done only by increasing the taxes paid sooner to the level where they will be from 1975 onward, even under existing law.

Senator ANDERSON. But you are proposing to raise the trust fund from $50 billion to $163 billion in order that people after the year 2000 will have a solvent fund.

Why should not they, in that generation, pay the cost of it? Why does the present generation have to pay for their life-insurance policies, sickness policies, or whatever it may be?

Mr. RICHARDSON. Well, I think it is a question of how you regard the contribution rate. You could have, right now, a lower rate, if you were not looking to the long-term solvency of the system.

Senator ANDERSON. Well, I recognize that now, for the year 1958, we may have a higher rate because people now working are going to be wanting benefits in 1970. But when you start saying that people between 1958 and 1978 shall pay for what somebody is going to draw after the year 2000, is that a sound insurance actuarial basis?

Mr. RICHARDSON. The only other way to do it would be to charge lower contribution rates than now scheduled from now until whatever year you choose, and then at some time in the future, maybe the year 2040 or so, you would sharply increase the tax rate.

The judgment underlying this is that we ought to have a system which would permit a level rate of contributions over a long period of time, and not a fluctuating rate to suit the particular conditions at the time—the ratio of old people to employed persons and so on—and the only way to make it level is in the manner proposed.

Senator ANDERSON. But you do not know what the problem is going to be after the year 2000. You may reverse this tendency of long life. Very recent statistics indicate that it might already have been reversed this last year or two, and a great many things may happen. I am only trying to say: Aren't you only supposed to be calculating what people who are now in the fund will eventually draw, and make it solvent for those people?

Mr. RICHARDSON. No.

Senator ANDERSON. You are not?

Mr. RICHARDSON. No; I do not think that is the premise on which contribution rates have, from the beginning, been determined. We have always talked about level-premium rates.

Senator ANDERSON. Were you in from the beginning?

Mr. RICHARDSON. I am trying to express what I understood to be, at least in recent years, the judgment of the Congress.

Senator ANDERSON. You say recent years of the Congress, and then you start talking about the original conception of it. I sat in on a few of those discussions.

Mr. RICHARDSON. I think it is true, Senator, as I understand it, at one time it was thought that the Congress might have to appropriate funds in order to make possible payments to beneficiaries.

Senator ANDERSON. I am not talking about that at all.

Mr. RICHARDSON. But, in more recent years, whenever we have calculated the costs to the system of a benefit increase, we have expressed those costs in terms of a level-premium rate, and that level-premium rate is based on the same calculation as at present in stating that the long-term actuarial deficiency of the old-age and survivors insurance trust fund is 0.57 percent.

Mr. SCHOTTLAND. If I may make a statement, the persons retiring in the year 2000 are starting into the labor market now.

Senator ANDERSON. I do not question that. We started talking about 2040, and very few people alive now will be working at that time, unless we change the whole concept of our work.

Mr. RICHARDSON. I think it is correct, Senator, to say that, from the beginning, the basic concept of this program on the part of previous administrations, this administration, and the Congress, insofar as their actions and reports are concerned, has been that this should be a fully financed program in perpetuity.

Senator ANDERSON. Yes; I won't argue that, either. But there is no reason why that generation, when it gets to the year 2000, cannot start looking at what 2040 is going to do. It will have plenty of time to do it.

I do not understand why you need a trust fund of $163 billion, and, if you think that is too large, why the Department does not recommend some scaling down of the rate to get it where it reaches a sufficient amount and no more. There has been much talk about the situation as to taxes, and this has a direct bearing on how high these payroll taxes have to go.

Mr. SCHOTTLAND. I might state this Advisory Council on Social Security Financing is making a study on just how high this fund might go.

Senator ANDERSON. That is all right.

Mr. MYERS. May I make a statement on the size of the fund?

One point might be of interest. In the year 2000 although the estimate shows a fund of $180 billion, if you had to have at that time a fund sufficient to pay overall the people then receiving benefits and nobody else, you would have to have a fund of about $300 billion.

Senator ANDERSON. I am in the insurance business just a little bit and I know if you had a hundred houses insured for fire and they all burned down the same day it would be a little problem.

Mr. MYERS. But these are people actually receiving benefits at that time.

Senator ANDERSON. Yes, I understand but actuarial tables on this have to all draw out funds at the same time.

If $50 billion is sufficient now, I do not know why $63 billion is needed in the year 2000.

Let me go to one other point and I will be through.

I tried to take your words down. You say it would result in a $288 million deficit, Mr. Secretary, for fiscal year, maybe 1959.

Secretary FLEMMING. For the first full fiscal year.

Senator ANDERSON. And to that extent it would be inflationary, is that right?

Secretary FLEMMING. I said that the proposed bill would increase the Federal contribution by an additional $288 million for the first full fiscal year and probably by more than $300 million in future years.

Now in response——

Senator ANDERSON. In response to a question you said and to that extent it would be inflationary?

Secretary FLEMMING. Well, I said this, in response to the question, that it would add to the projected Federal deficit and to that extent would be inflationary.

Senator ANDERSON. I would be glad to have you examine your remarks and I thought I wrote them down. Are you sure you did not say "and to that extent you thought it would be inflationary"?

Secretary FLEMMING. I am sure I said it would add that much to the projected Federal deficit and would make a contribution to inflation.

Senator ANDERSON. You did.

You said exactly that. You said $288 million to the Federal deficit and to that extent it would be inflationary.

Secretary FLEMMING. Yes.

Senator ANDERSON. Therefore you think we should bear in mind this inflationary element of it when we are considering it?

Secretary FLEMMING. Although the primary factor I think is the one we have been stressing in my response to the question.

Senator ANDERSON. I was only interested because this afternoon I will be dealing with Euratom which represents another $400 million or so and I had not thought about considering its inflationary impact.

I thank you.

The CHAIRMAN. Are there any further questions?

Senator CARLSON. Mr. Chairman, Senator Anderson has brought back memories of our service to the House Ways and Means Committee when we did make a very vital change in the original concept of the social-security program which started out to be sort of an individual insurance for an individual setup item by item and we applied it generally—I well remember that fight in its early days so we have had some problems in the past.

As I sat here this morning, Mr. Chairman, I am not going to get into the revenue side of it, the increased benefits or the number of beneficiaries, but I have been thinking just for a few moments of the terrific growth of this organization since 1935 and I happened to be a Member of the House at that time.

How many employees do you have at the present time?

Secretary FLEMMING. You are thinking of the Social Security Administration.

Mr. SCHOTTLAND. A little over 23,000.

Senator CARLSON. 23,000 employees, you have how many sections, you have old-age assistance, public assistance—how many do you have?

Mr. SCHOTTLAND. We have four bureaus. We are divided into the Commissioner's Office and four bureaus, the Bureau of Old Age and Survivors Insurance, the Bureau of Public Assistance, the Children's Bureau, and the Bureau of Federal Credit Unions.

Senator CARLSON. In the OASI how many employees would you have?

Mr. SCHOTTLAND. 22,600 authorized positions.

Senator CARLSON. You mean you have twenty-three thousand-some total and 22,600 are OASI?

Mr. SCHOTTLAND. Most of them are in OASI, we have almost a thousand in the remainder of the Social Security Administration.

Senator CARLSON. For the record would you put in the number of employees in these other branches you have mentioned?

I do not want to take the time of the committee but it is interesting to me because I have watched the growth of it over the many years.

(The following was later received for the record:)

As of August 5, there were 23,289 persons actually employed in the Social Security Administration. Of these, 66 were in the Office of the Commissioner, 235 were in the Children's Bureau, 258 in the Bureau of Public Assistance, and 22,331 in the Bureau of Old-Age and Survivors Insurance.

Mr. SCHOTTLAND. I would be very glad to do that.

Senator CARLSON. Do you have regional offices?

Mr. SCHOTTLAND. Yes, the Department has regional offices and we are part of them; but in addition we have area offices, which are payment centers, and then we have 584 district offices serving communities throughout the United States.

Senator CARLSON. Mr. Chairman, as a member of the Post Office and Civil Service Committee I made a study some time back and I was amazed to find and I believe the committee will be amazed I believe I am correct, that most of these top administrative positions, I would call them executive positions, are grade 15 in the classified service, is that correct?

Mr. SCHOTTLAND. That is correct.

Many of them below grade 15 among our top executive positions.

Senator CARLSON. In other words, some of these people who administer, I mean direct, or are executives over, shall I say, several hundred employees, are grade 15?

Mr. SCHOTTLAND. That is correct, Senator.

As a mater of fact, in the Bureau of Old-Age and Survivors Insurance of our 22,000 plus employees we have only 3 persons in grade 16 ör above.

Senator CARLSON. You mean you only have three supergrades?

Mr. SCHOTTLAND. That is correct. In the Bureau of Old-Age and Survivors Insurance.

Senator CARLSON. Well, I want to say, Mr. Chairman, that I cannot think of any agency in our Federal Government that operates as efficiently and I know these people operate efficiently because I have gone into some of it, as this group does with that number and I think it is something our committee should give consideration to before we report this bill.

Mr. SCHOTTLAND. Thank you.

Secretary FLEMMING. Mr. Chairman, Senator Carlson, may I revert to my days on the Civil Service Commission and say that I concur

with you and feel that there is some underclassification there that certainly should be looked at and considered.

Senator CARLSON. Dr. Flemming, I just want to say this, that the committee of which I happen to be ranking member on and have been chairman on, has recommended and if we get approval through Congress for additional supergrades but every agency of the Government requests them and it is not awfully easy as a former member, I know you will say, to get supergrades and I hope our committee will look into this before we report this bill.

Senator BENNETT. Mr. Chairman, I would be glad to yield to the Senator from Illinois.

The CHAIRMAN. Senator Douglas?

Senator DOUGLAS. I have only a few questions.

I would like to ask a technical question first about old-age insurance.

In your estimates of costs don't you make a high-cost estimate and a low-cost estimate, and then take the arithmetic average of the two as your best estimate?

Mr. MYERS. Yes, we make a low-cost estimate and a high-cost estimate and average them to get the intermediate-cost estimate.

Senator DOUGLAS. And you estimate, you give a high-cost estimate up to 2,050 on a level basis of approximately 9 percent, and a low-cost estimate of approximately 7 percent and therefore take an intermediate average of 8 percent, is that correct?

Mr. MYERS. Yes, sir, that is the case for the present old-age and survivors insurance system.

Senator DOUGLAS. Yes.

Now, the difference between the high-cost and the low-cost estimates tend to be relatively low in the initial period, isn't that true?

Is it not between 6.62 as the high-cost and 6.27 as the low-cost on only one-third of 1 percent in absolute terms, or 5 percent relative, isn't that so?

Mr. MYERS. That is correct.

Senator DOUGLAS. But at the end of the period your low-cost estimate is 9.62, your high-cost estimate is 14.39 or there is a gap of nearly 5 percent in absolutes and 50 percent in relatives, isn't that true?

Mr. MYERS. Yes, that is true. As we go further out into the future, we obviously know less of what the variation would be.

Senator DOUGLAS. So your estimate there is imbalance in the system really is heavily weighted by this high-cost estimate of yours of 14.39 for 2,050?

Mr. MYERS. Well, it is weighted equally by the low-cost estimate and the high-cost estimate.

Senator DOUGLAS. I understand.

On the low-cost basis that would only be 9.62 and on a level premium basis, if we take the low-cost figures, the system would already be adequately financed without any increase in contributions, isn't that true?

Mr. MYERS. Yes, that is correct, Senator.

Senator DOUGLAS. As I say, Mr. Myers, I have the highest respect for you, and I have watched you work for 25 years, I was on the original Advisory Committee on Social Security and I think you are a great public servant and if you are not a supergrade 18 you ought to

be so immediately. [Laughter.] And it is fine to have conservative actuaries around because they restrain us.

Nevertheless, we should not take the word of actuaries as gospel truth. They often hold up an admonitory finger but they should not necessarily be the determinants of policy.

In view of the fact that there is this built-in safety factor of an increase in earnings which has enabled us to increase benefits throughout the system without corresponding increases in contributions and in fact even while we have delayed increases, and at the same time we have a $23 billion reserve, I do not think the case has been made for speeding up of contributions or the increase in rates to the degree that is provided in the House bill. I would suggest, Mr. Chairman, that as we go into executive session that we ask Mr. Myers to be here and question him a little bit more closely to the validity of his high-cost estimate because if that is excessive, then the system is very much more solvent, even on present contributions, than his intermediate estimate indicates.

That is the question on old-age insurance.

Now I would like to ask a question on assistance.

The CHAIRMAN. We will have plenty of experts here when we start to mark the bill up.

Senator DOUGLAS. Now, Secretary Flemming, I take it that you are opposed to any increase of Federal contributions for old-age assistance, aid to dependent children, aid to the blind, and aid to the totally disabled?

Secretary FLEMMING. In the percentage of Federal contribution.

Senator DOUGLAS. You are opposed to any increase in totals, too, are you not?

Secretary FLEMMING. No. If you take my statement I said:

> It should be emphasized that the administration's opposition is not directed against an increase in assistance payments to individuals but is directed only against an increase in the proportion of such payments that will be borne by the Federal Government.
>
> I am impressed by this fact: If the States find that increased payments to individuals are needed, the Federal Government already is in a position under the existing law to match, on a 50-50 basis, State funds to increase payments for 60 percent of all the persons now receiving old-age assistance.

If the States call upon us to match in that way, why of course the Federal expenditures would go up.

Senator DOUGLAS. Put it this way, you would be opposed to any change in the formula which would result in an increased total present contribution for each of the classes?

Secretary FLEMMING. Which would result in an increase in the Federal percentage payment to the total.

Senator DOUGLAS. You would be opposed to any change in the formula which would involve an increased Federal contribution if that provided for an increased Federal percentage?

Secretary FLEMMING. That is right.

Now in terms of overall dollars it can go up under existing law as you appreciate.

Senator DOUGLAS. But the initiative in these cases would have to come from the States?

Secretary FLEMMING. That is right.

Senator DOUGLAS. You do not want to have any initiative coming from the Federal Government to increase the benefits?

Secretary FLEMMING. I am perfectly willing to have the initiative come from the Federal Government, but I am not willing to see a percentage increase.

Senator DOUGLAS. You are not willing to see the money come from the Federal Government?

Secretary FLEMMING. I believe, Senator, there are times when we can take the initiative and exercise leadership along fiscal lines.

Senator DOUGLAS. Not at this time?

Secretary FLEMMING. I am not sure at this time we have done everything in the Federal Government we can and should do to raise the sights in terms of what should be done.

Senator DOUGLAS. It is desirable to raise the sights but it is also desirable to get there.

Secretary FLEMMING. That is right.

Senator DOUGLAS. Vision is not everything.

Secretary FLEMMING. And I think it is possible to exercise leadership in such a way that the States will help us get there as well as the Federal Government.

Senator DOUGLAS. Has your statement been approved by the Bureau of the Budget?

Secretary FLEMMING. Not my specific statement; no.

Senator DOUGLAS. Does the policy which you have outlined represent the policy of the administration?

Secretary FLEMMING. I can say that the policy I have outlined is in accord with the Bureau of the Budget's understanding of the policy of the administration.

Senator DOUGLAS. That is you have talked this over with the Bureau of the Budget?

Secretary FLEMMING. That is correct.

Senator DOUGLAS. Have you talked to them in the White House? Is that a proper question?

Secretary FLEMMING. I think I should stop at the Bureau of the Budget. That is the proper place for me to stop.

Senator DOUGLAS. Suppose we pass the House bill, would you recommend a veto?

Secretary FLEMMING. I would.

Senator DOUGLAS. You would recommend a veto?

Secretary FLEMMING. Yes.

Senator DOUGLAS. Are you acquainted with the fact that the House Foreign Affairs Committee has at this moment under consideration a bill to increase retirement benefits for Foreign Service officers by 10 percent?

Secretary FLEMMING. No; I am not.

Senator DOUGLAS. It is a fact which I have verified by telephone communication with the clerk of the House Foreign Affairs Committee.

Are you aware of the fact that this has been endorsed by the Bureau of the Budget?

Secretary FLEMMING. No; I do not know anything about it.

Senator DOUGLAS. The clerk of the House Committee on Foreign Affairs informs me that the Bureau of the Budget has endorsed this 10 percent increase for Foreign Service officers.

So the Bureau of the Budget apparently does not object to a 10 percent increase for Foreign Service officers whose average retirement pay is $5,231 but it does object to an increase of, say 7 or 8 percent for people on old-age assistance whose payments are equal to $61 a month or $732 a year.

Is there any representative of the Bureau of the Budget here?

Is there any representative of the Bureau of the Budget in the room?

I know I should not beat you over the head because of the Bureau of the Budget. [Laughter.]

Secretary FLEMMING. Senator Douglas, I think I also should make clear that I have not said at any point that we object to an increase in the amount of money received by those who receive——

Senator DOUGLAS. Providing other people put it up; providing the States put it up?

Secretary FLEMMING. Yes, sir.

Senator DOUGLAS. Sure; but you do object to the Federal Government contributing any more money to increase the allowances.

Secretary FLEMMING. It is a State program.

Senator DOUGLAS. No, it is a Federal-State program.

Secretary FLEMMING. Senator, I do not object to the Federal Govermt putting more money into it.

Senator DOUGLAS. Providing the States take the initiative and increase the allowances to the individual?

Secretary FLEMMING. That is right.

There is an additional Federal money to be put in.

Senator DOUGLAS. But they could not go above $60.

Senator KERR. Without paying 100 percent of it.

Senator DOUGLAS. That is exactly so.

Secretary FLEMMING. Well, the fact remains there is a good deal that can be done.

Senator DOUGLAS. Up to $60?

Secretary FLEMMING. Up to $60 and there are additional Federal funds available in order to make it possible to do that.

Senator DOUGLAS. The average is $60.

Do you think $60 is an adequate amount?

Secretary FLEMMING. I would not allege that it was completely adequate.

Senator DOUGLAS. Is it relatively adequate?

Secretary FLEMMING. No, I think——

Senator DOUGLAS. If it is not relatively adequate, it is inadequate, is it not?

Secretary FLEMMING. Sure.

Senator DOUGLAS. Then you are in favor of maintaining an inadequate old-age assistance program?

Secretary FLEMMING. No; wait a minute, I have not taken any position as of the moment.

Senator DOUGLAS. I am helping Senator Kerr here.

Secretary FLEMMING. I have not taken any position as of the moment, Senator Douglas, on that $60 ceiling.

The only position I have taken is in the increase in the percentage of the Federal contribution.

Senator DOUGLAS. Well, of necessity you have taken a position on this?

Secretary FLEMMING. No.

Senator DOUGLAS. When the Federal Government will not grant any sums for allowances in excess of $60?

Secretary FLEMMING. Well, even when that particular figure could be increased without the Federal percentage contribution to the public assistance programs going up.

Senator DOUGLAS. I thought you said you preferred the formula we have given which graduates it compared with a flat percentage increase.

You prefer this percentage formula with a larger percentage going to the poorer States?

Secretary FLEMMING. I favor that; yes.

Senator DOUGLAS. Then you ought to make some change in the 50–50 formula yourself, so you really are retreating.

Secretary FLEMMING. Wait a minute, I am not necessarily advocating a 50–50 formula; I am saying don't go above your present 55 percent.

Senator DOUGLAS. Overall figure.

Secretary FLEMMING. Overall; that is the overall figure. My argument is that we should not go above that overall percent, but I have not taken any position——

Senator DOUGLAS. Suppose we should take the $60 ceiling off there and provide 55 percent for all sums over $60?

It would not increase the percentage, but it would increase the total.

Secretary FLEMMING. I would not argue against an increase in payments but I would argue against anything that would increase the percentage of the Federal contributions.

Senator DOUGLAS. Then we may be getting together.

Suppose we say we got an increase of $10 or $15 in the ceiling which the Federal Government would contribute 55 percent.

Mr. RICHARDSON. That, Senator Douglas, would be of assistance only in the States best able to support an increase in their own public-assistance program.

It would mean additional Federal matching in States that have substantial payments in excess of $60, and only in those States. What we have advocated, in terms of the administrative provisions referred to by the Secretary is a change in the formula that would relate Federal payment more nearly to the fiscal situation of the States, with an average Federal participation as near as may be——

Senator DOUGLAS. It is in that House bill?

Mr. RICHARDSON. As near as may be practicable over a course of time to 50 percent.

Senator DOUGLAS. How do you get it started?

Mr. RICHARDSON. The way we would get to it under the bill is through the range, in which we would participate in payments in excess of $30. The minimum percentage in the House bill is 50 percent.

The maximum is 70. We say essentially we favor a range.

Senator DOUGLAS. Below 50?

Mr. RICHARDSON. I think we would prefer a range that extended below 50 in the case of the high-income States. But in principle we think there should be that kind of a variance in the Federal contribution between the States in terms of the relative fiscal capacity.

Senator DOUGLAS. What relative percentage increase would this bring assuming no adequate State payments? What is the total cost now on an annual basis?

Mr. RICHARDSON. Total dollar amount?

Senator DOUGLAS. For public assistance.

Mr. RICHARDSON. About $1,800 million.

Senator DOUGLAS. I do not mean old age but altogether. $3 billion?

Secretary FLEMMING. Under the present bill?

Senator DOUGLAS. Present law.

Mr. RICHARDSON. About $3 billion.

Senator DOUGLAS. And is the increase roughly 9 percent.

Mr. SCHOTTLAND. Nine percent.

Senator DOUGLAS. In order to be precise, 9.6 percent.

Now what has been the increase in the cost of living since the last general assistance law was passed?

Secretary FLEMMING. That would be 1956.

Approximately 5 percent.

Senator DOUGLAS. So if you do not make any increase there would be deflation of real income of those on assistance?

Isn't that true?

Secretary FLEMMING. If you pick 1954 as a base, the price levels have gone up about 7.8 percent.

Senator DOUGLAS. That is right, and during that same period your average old-age assistance payment has increased 19.3 percent. The average payment of aid to dependent children, 13½ percent.

There had been a hiatus before that?

Secretary FLEMMING. Yes. But, personally, I do not think we should be satisfied with anything that just deals with the cost-of-living increase.

Senator JENNER. Mr. Chairman, if the Senator is finished he said he would yield to me.

I have to go to another meeting.

There is one thing I want to have explained to me.

What happens to this money that is paid in under this fund?

Secretary FLEMMING. Paid into the trust fund, sir?

Commissioner Schottland?

Senator JENNER. Just take it step by step and tell me what happens.

Mr. SCHOTTLAND. The funds are collected by the Treasury, and I think you are familiar with the process of payroll deduction.

Senator JENNER. Yes, I am.

Mr. SCHOTTLAND. Self-employed persons file their returns once a year.

The funds are taken by the Treasury then and put into a trust fund. The trust funds are invested in Government securities, either special securities or securities which are sold in the open market.

Those funds invested in securities sold on the open market bear the same rate of interest as the same securities purchased by anyone else.

Senator JENNER. How much is that?

Mr. SCHOTTLAND. The special securities bear the average rate of interest of all outstanding securities of over 5-year duration since these are long-term investments. That was the purpose of the 1956 change in the law.

Senator JENNER. How much has been paid into the fund?

Mr. SCHOTTLAND. You mean the total collections from the beginning under the old-age and survivors insurance system?

Senator JENNER. Yes.

Mr. SCHOTTLAND. Let me have just a second on that.

Senator JENNER. Approximately.

Mr. SCHOTTLAND. About $56 billion.

Senator JENNER. And that is gone out into Government bonds?

In other words, the Treasury uses it, they put an I O U in your till and say we have so much money of your money; is that right?

Mr. SCHOTTLAND. The difference between the $55 billion in tax collections and $22 billion in the trust fund has gone out in benefits to the persons in the program.

Senator JENNER. I understand. What is going to happen to the balance? Just what I said—the Treasury says "Here is an I. O. U."; and your trust fund and the Treasury is using it for the current operation of Government; isn't that correct?

Mr. SCHOTTLAND. That is correct; namely, that the Treasury borrows the money from the trust fund, giving the Government bonds, and uses the proceeds just as it would for any other receipts.

Senator JENNER. Now has there been any thought given to reevaluating this whole system so that the penalty is not placed on thrifty people of this country?

Do I make myself clear?

Mr. SCHOTTLAND. No.

Senator JENNER. I don't?

Let me make it clear. I know about the operation of this law. I will give you an example of how it works.

I assume you folks are acquainted with it, I hope you are, and I something ought to be done about it.

A man or a woman makes an application for old-age assistance, an investigator goes out to see her.

Senator BENNETT. This is not social security but assistance.

Senator JENNER. Old-age pension, and this is all a part of this program.

Senator BENNETT. It is two different programs.

Senator JENNER. I know it is two different programs, but it is all part of the cost of this whole thing.

Senator BENNETT. No.

Mr. SCHOTTLAND. They are separately financed and entirely different programs.

Senator JENNER. I want to talk just a moment.

I know about the contribution in the social-security fund, and I want to talk about the old-age-assistance program because it is all tied in together because the purpose of it as I understand it is to help the older people in this country in their old age with the old-age and social security program so they can survive; is that correct?

Mr. SCHOTTLAND. That is correct.

Senator JENNER. This investigator goes out and he goes up to this home where the people have made an applicable and they have a little worksheet, and I think this ought to be looked into.

They say, "Do you own this home?" "Yes, I own the home."

"What other income have you got?"

"Well, I don't know."

"Is that your garden out there?"

"Oh, yes, yes, I have raised eight children, I have had a garden all my life. Mother cans her food" and so forth and so on.

So the little investigator writes something down.

Then they say, "Whose cow is that out there?"

There is a little 2-acre patch of ground, I know this happens; I have been in this. I don't understand why our Government does not do something about it.

"Well, that is your cow. Do you use all the milk from that cow?" "No, we do not use all the milk from that cow. We have got some neighbors here and we sell a little milk to our neighbors and we make a little butter and take it to town and buy sugar or something like that."

So the investigator writes something else down.

"Mr. Gray, you have pretty good clothes there, how about that?"

"Well, I will tell you what, one of my boys works up in the city and he has to wear rather good clothes and when his clothes get a little worn why he just sends them to me, and mom makes them over and makes them fit," so the investigator writes something else down.

I could go on and on. I am not going to belabor this because I have got another meeting I have got to go to.

Then Mr. B makes an application, and then the little investigator goes out to see Mr. B, and says "Mr. B, do you own this place?"

"Oh, no, I do not own this shack; it is about to fall down."

"Have you paid the rent? What do you do, pay rent?"

"Yes, I have not paid it for 6 months; they are trying to get me out now."

So the investigator writes something down there.

"Have you got a garden, Mr. B?"

"Oh, no, I would not have a garden, I tried one one time. The chickens ate up everything I have, and I just never fooled with the garden, that is just a lot of nuisance."

"How many children have you got?"

"Well, I have got eight children."

"Do they help you any?"

"Oh, no, they cannot hardly help themselves. Why three of them now is living off the township's trustee."

So they write something down on their book.

"Well, how about your clothes, Mr. B, they look pretty bad."

"Oh, yes, look at that hole in the seat of my breeches, I have been trying to get the old woman to patch it for 3 months, and can't get her to do it."

They write something else down.

I am going to try to make a long story short, but I have to go on because you folks ought to look into this because Mr. B does not own a home and would not pay rent, they gave so much. Because he did not have a garden and so as he had to buy all of his food they allowed so much on that. Because he did not have any clothes and had no way to purchase clothes, they allowed so much for that, and so forth and so on.

But Mr. A up here who has raised a good family of substantial people, good Americans, honest hard-working people, worked all of his life to raise those children, he is penalized because he does not

have to pay rent, because he does have a cow and he sells some extra milk and because he does have a garden and so forth.

What I am trying to say to you is the basis of this program is wrong, because you are putting a penalty on the thrifty people of this country and you are encouraging the no-accounts.

I think it is wrong.

I do not say Mr. B should not have what he is getting, but I say Mr. A should not be penalized because he has been a good citizen and raised a good family and that is the basis of your old-age-assistance program.

Am I right or am I wrong—social security and old age?

Mr. SCHOTTLAND. Senator, these programs are State programs.

Senator JENNER. Wait. You set the standard, you give the directions down. If the boys in the States do not follow you, you are going to penalize them.

Just answer my question. Am I right or wrong on the basic principle of how you arrived at who is needy and what they are entitled to and who sets the standards?

Mr. SCHOTTLAND. You are not correct, Senator.

Senator JENNER. I am glad to know that. Tell me where I am wrong. I am glad to know that.

I just happen to have been a welfare attorney for several years, and have been through dozens of these cases that I have just told you about. Now you tell me where I am wrong.

Mr. SCHOTTLAND. The State of Indiana, in which you worked, determines for itself what the standard will be. It determines for itself whether it will consider the vegetable garden and the cow, and so forth.

Senator JENNER. Who determines the qualifications of the personnel who work in Indiana?

Mr. SCHOTTLAND. The State of Indiana determines those qualifications.

Senator JENNER. You mean you have no standards?

Mr. SCHOTTLAND. We have no standards except to——

Senator JENNER. You do not tell them certain people should be employed for certain reasons?

Mr. SCHOTTLAND. That is correct; we do not.

Senator JENNER. All right, go ahead.

Mr. SCHOTTLAND. The only thing we say under the Federal law is that Indiana or any other State must have a merit system.

Senator JENNER. That is right. Now you are getting to it. Merit system, that is right. Go ahead.

Mr. SCHOTTLAND. All we are saying, all the law says under the merit system is that we must require some type of merit or civil service system. But what kind the State has is entirely a State determination.

Senator JENNER. Then your contributions under this merit system that you set up the standard for—and I know about the merit system—I know is who is qualified to work, because you determine that, your merit system. In other words, you do not withhold any money, your contributions, from the State which puts a penalty on the thrifty and gives a premium to the lazy? You do not take that into consideration, do you?

Mr. SCHOTTLAND. Senator, we do not think the Federal law does that. You see, one of the problems we have to struggle with——

Senator JENNER. You contribute half of the money. Do you not have anything to say about it?

Mr. SCHOTTLAND. Yes; we do, but we do not think our contribution of half puts a premium on the lazy.

Senator JENNER. Well, suppose you said to a State, "You cannot do this. You cannot put a penalty on the thrifty people. If you do, we will withhold our contributions." What do you think would happen?

Mr. SCHOTTLAND. You see, Senator, we are caught on the horns of a dilemma. If we have too many Federal regulations to enforce the Federal law, Congress takes the position, which you took in your opening statement, that we should not do this.

Senator JENNER. That is right.

Mr. SCHOTTLAND. If we do not have sufficient regulations, Congress may take the position which you are now taking, that we ought to do something about it. [Laughter.]

Senator JENNER. What do you think about it? Do you think something should be done about it?

Mr. SCHOTTLAND. It is our feeling——

Senator JENNER. Under the hypothetical case I just gave you, do you think that is fair, or do you think something should be done about it?

Mr. SCHOTTLAND. We think that the State, in a case like that, certainly ought to do something about it, and we think——

Senator JENNER. Well, suppose we write into Federal law that unless a State does not penalize the thrifty old people of their State that the Federal Government must withhold their funds, their contribution. Would you be in favor of that kind of a law? That would kind of police this thing, would it not?

Secretary FLEMMING. Senator, if I may respond to that, I do not think the Federal Government should get into more policing activities in this particular area. I go back to my original statement.

Senator JENNER. You have been in it all your life. I just told you about the fact we had over $25 million, and you were trying to police us. You told us we could not publish in the newspapers, we could not publish the names of people receiving old-age assistance.

When did you change your mind and your hearts?

Secretary FLEMMING. Senator, as I told you before, I know nothing about that specific case.

Senator JENNER. Well, find out about it, Dr. Flemming, because it is awfully important.

Secretary FLEMMING. But on the basic issue you just raised with Commissioner Schottland, my response would be, no, we should not write more regulations into Federal law, or the executive branch should not be issuing a lot more regulations.

I think the problem you outline is a problem for the State of Indiana, and I think the State of Indiana should set the right kind of standards in order to deal with that problem, and I think the Federal Government should keep its hands off and let the State of Indiana work out a proper solution to that problem.

Senator JENNER. All right, let us assume the State of Indiana does correct this injustice, and I think it is an injustice. Don't get me

wrong, I am not saying that Mr. B and the people in that class should not have as much as they are getting, but I do not like to see Mr. A penalized. I think it is bad for this country, its future, to penalize the thrifty people.

Let us suppose, now, let us take the hypothetical that Indiana does correct that injustice. Let us suppose that Ohio does not correct it. Are you going to still give the same contribution to Ohio that you give to Indiana, your 50 percent or whatever it is?

Secretary FLEMMING. We believe in the concept of State and local administration of programs of this kind, and the answer to that is "Yes."

Senator JENNER. In other words, you do not care how they administer the law locally, you are still going to give them what they are entitled to?

In other words, if the investigator in Ohio wants to—I am just using this as a hypothetical—wants to double or triple the benefits to B and further penalize A, it is still O. K. with you folks down in Washington?

Secretary FLEMMING. Senator, so long as it complies with Federal law, yes.

Of course, I would not indulge in the assumption that any investigator in the State of Ohio would do something like that.

Senator JENNER. I used that as a hypothetical. [Laughter.]

Secretary FLEMMING. I have a very high regard for what the State of Ohio would do in handling that problem.

Senator JENNER. Let's get that straightened out. I used it as a hypothetical.

Secretary FLEMMING. I want to keep the record straight.

Senator JENNER. I want to keep it straight, too. I am finding out from you you do not care what happens to a State, they will still get their Federal money just the same. Is that right?

Secretary FLEMMING. Senator, the Congress of the United States has included in these laws certain standards. It has told the executive branch of the Federal Government to do certain things in order to administer those standards.

I am not quarreling about those at the moment. All I am saying is, let's think twice before we tighten the grip of the Federal Government on the way in which what is essentially a local program should be administered.

Senator JENNER. All right.

Now then, if that be true, would you oppose or support Federal legislation to tighten those standards in the respect that I have been referring to?

Secretary FLEMMING. Offhand, I think I would oppose them on general principles.

Senator JENNER. I just wanted to know where you stood, and I thank you very much.

Senator DOUGLAS. I have a solution for this difficulty. I have an amendment, which has always been opposed by the administration, namely, to exempt the first $50 per month of earned income so that it will not be deducted from old-age assistance grants which otherwise would be made.

So I think this argument perhaps is really eloquent testimony in support of my amendment, and I hope very much it will be adopted. [Laughter.]

Senator BENNETT. Mr. Chairman, I have been very patient, and I hope you will indulge me just a minute or two.

In the earlier discussion about the projected future of the OASI, the statement was made, which I understand would have to be made, that we assume there will be no further changes in the law, no further increases in the benefits, no further changes in the taxes.

Mr. Schottland, if you know offhand, how many times have we changed the law since it was changed over to the present basis, increasing benefits and increasing taxes?

Mr. SCHOTTLAND. In 1939, 1950, 1952, 1954, and 1956.

Senator BENNETT. 1952, 1954, 1956. It is now 1958. Do you not think a good actuary would say we can expect to change the law every 2 years? We have done it every 2 years since 1950.

By how much have we increased the tax burden in those changes?

Mr. MYERS. In the 1950 amendments, the combined employer-employee tax rate was 3 percent for the years immediately following 1950, and the ultimate rate in the law was 6½ percent.

And under this bill, the rate for next year would be 5 percent, with an ultimate rate of 9 percent.

Senator BENNETT. So we have approximately increased the tax burden 50 percent in 8 years.

Mr. MYERS. The ultimate rate under the bill, as compared with the ultimate rate under the 1950 act.

Senator BENNETT. If we are going to increase this rate 50 percent every 8 years—and I am sure as I sit here, because I sat through the 1954, the 1956, and the 1958 hearings, that in 1960, which is another election year, we will be back again asking for another step-up in the benefits, and a step-up in the costs.

I just think the record should show that the idea that you can go forward on the theory that the benefits we now are setting are going to be projected forward to the year 2040 and that we are going to have this kind of an amount in the fund at that time, are completely ridiculous.

I think a 9 percent burden is terriffic; a gross tax on the employment of the United States of 9 percent is almost enough to wreck the economy of the country. But at the rate we have been going, it is impossible to predict how high it will be.

And I am just very much discouraged at the prospect of this program which brings advocates in here every 2 years, has done it for the past 8 years, and while we keep projecting these things forward and always say, well, we are projecting forward the existing rates, we do not project forward this other curve, which I think is just as definite as any figure you have got in your set of books.

Maybe I should ask you to project forward until 1969, and the year 2040, the tax rate on the basis of the record we have been making since 1950. Do you think you could do that?

Mr. MYERS. I am afraid not, Senator.

Senator BENNETT. You could not, because it is obvious if it were projected forward, it would completely consume the total wages in this country.

We had better take a look at that when we stop to consider this bill, because there is a feeling that there is no limit to the extent to which these benefits can be raised and the taxes can be raised.

That is all, Mr. Chairman.

The CHAIRMAN. I would like to say I agree entirely with Senator Bennett, and speaking of the accuracy of estimates, in January the administration estimated a budget, virtually balanced budget for fiscal year just ended, and a balanced budget for the current fiscal year.

Six months later, we found we had a deficit of $3 billion in the past fiscal year, and a prospective deficit, which is admitted, of $12 billion for the present year.

That is an example of the accuracy of estimates.

Senator BENNETT. If we can increase the tax burden 50 percent in 8 years, we can look for in 10 years more another 50 percent. That will be 13½ percent of payrolls as against the present 9.

Senator LONG. If the Senator will yield, I do not think the case has been made here, I have not seen it made here, there is any need for increasing the tax at all.

I have never agreed with this idea of building up a $179 billion trust fund. Why? As long as you are taking enough into the fund to meet your payments on a year-by-year basis and advance your tax to take in enough to cover your expenditures on an annual basis, there is no real necessity to have to increase your fund to $179 billion.

I think a lot of good, sound people, good Republicans, advocate you should stop this trying to build up this fund of $179 billion.

Senator BENNETT. My lunchtime has long since passed.

Senator KERR. Does that mean the Senator is not going to get any lunch? [Laughter.] Will he go to lunch with the Senator from Oklahoma? My lunchtime is just arriving. [Laughter.]

Senator BENNETT. I wonder if the Senator from Oklahoma is acquainted with the character L'il Abner in the comic strip.

Senator KERR. No; but I did not know he was on this committee.

Senator BENNETT. I sometimes detect the presence of some of his relatives. [Laughter.]

Senator KERR. If that statement was in the plural [laughter], I wonder if it was an admission as well as an accusation.

Senator BENNETT. I will end with the comment that all general statements are false, including this one.

Senator KERR. I want that to be limited to the status of an admission on your part, because the Secretary and I have made some general statements that we do not want to admit are false.

The CHAIRMAN. The Chair has been requested to insert in the record a statement by Mr. Rudolph T. Danstedt, director of the Washington branch office of the National Association of Social Workers.

(The statement referred to follows:)

STATEMENT BY RUDOLPH T. DANSTEDT, DIRECTOR OF THE WASHINGTON BRANCH OFFICE, NATIONAL ASSOCIATION OF SOCIAL WORKERS, ON H. R. 13549, 1958 AMENDMENTS TO THE SOCIAL SECURITY ACT, AUGUST 8, 1958

Mr. Chairman and members of the committee, my name is Rudolph T. Danstedt, and I am director of the Washington branch office of the National Association of Social Workers.

The association for which I am testifying today is a professional organization with a membership of approximately 22,000 individuals who have qualified

through graduate education to perform social work services in governmental and nongovernmental, Catholic, Jewish, and Protestant and nonsectarian agencies.

Our association supports H. R. 13549, Social Security Amendents of 1958, as passed on Thursday, July 31, 1958, by the House of Representatives. We think this is legislation which deserves the support of this Finance Committee and the United States Senate, even though in a number of respects H. R. 13549 falls far short of the objectives our association considers desirable in the old-age and survivors and disability insurance program, the public assistance titles, and the maternal and child welfare title of the Social Security Act.

Attached and made part of this statement are resolutions adopted by our association at its delegate assembly held early in May of this year in Chicago. These resolutions deal with amendments to the Social Security Act and the abolition of resident and settlement laws in public-welfare programs.

TITLE II. OLD-AGE AND SURVIVORS AND DISABILITY INSURANCE

Benefit increases

The increase of about 7 percent in benefits over the level provided in the present law is demanded by the 8 percent rise in the cost of living since benefits were last increased, and the 12 percent rise in wages, both of which facts justify a 10 percent increase in benefits which we supported before the House Ways and Means Committee. The proposed increase in the maximum amount of benefits payable monthly to a family from the present $250 to $254 is particularly commendable.

Concern has been expressed by some groups about the fact that the tax rate on the increased wage base of $4,800 will go up to 4½ percent each on employer and employee by 1969 and thereafter. We are prepared to support a tax rate of about this amount on a wage base of $6,000, as proposed in several bills, in order that certain important benefits could be made available to people. It is our earnest opinion that a social security program with comprehensive benefits has wide support and that the potential beneficiaries of such a program are willing to pay the cost.

Disability insurance

We are pleased that this proposed legislation provides for the payment of benefits to dependents of disability insurance beneficiaries. This corrects an inequity in the disability insurance program enacted in 1956, and makes it possible for the family of a disabled person to manage their affairs more adequately without recourse, in most instances, to public or private assistance.

Our association would like to see eliminated the eligibility restriction to age 50 and above for the disabled, and to see the disability trust fund utilized for the payment of the costs of rehabilitation services for the disabled. This method of financing rehabilitation services seems to us the most certain way to assure that these disabled people have a reasonable opportunity of access to rehabilitation services.

Health care benefits

While the bill makes no provision for paying the cost of hospitalization, nursing home care and surgical care of old-age and survivors and disability insurance beneficiaries, the report of the Ways and Means Committee requests that the Department of Health, Education, and Welfare conduct a study of alternative ways of providing insurance against the cost of hospitalization, nursing home care and surgical care for old-age and survivors and disability insurance beneficiaries, and report the results of such a study on or before February 1, 1959.

We would hope that consideration might be given to such a study being undertaken under appropriate congressional auspices, utilizing qualified consultants. We believe that a congressional policy with respect to a program of health care benefits can most objectively be determined on the basis of a study conducted under the direction of the Congress, utilizing the resources of the Department of Health, Education, and Welfare, and other qualified organizations and specialists in the field of health care.

We hold that the greatest unmet need in the old-age and survivors and disability insurance program is that of making provisions for hospitalization and medical care to this large group of our citizens who are aged, disabled, or children deprived of the support of a wage earner.

PUBLIC ASSISTANCE TITLES

The various increases made to recipients of public assistance under titles I, IV, X, and XIV of the Social Security Act are both necessary and desirable and for the same reasons that increases are proposed for old-age and survivors and disability insurance beneficiaries.

The changes made in the formula for determining the Federal share of assistance payments so as to provide an average maximum on State expenditures for assistance in which there can be Federal sharing, including assistance in the form of medical care and money payments, and the provision in the formula that a portion of the Federal contribution be related to the per capita income of the States, are constructive revisions, long sought by the public-welfare field and this association.

To further improve the public-assistance program, we hold that Title IV: Grants to the States for Aid to Dependent Children, ought to be amended to provide for any needy child living with any relative so as to provide for children whose need arises from the unemployment of a parent, and further that Federal funds should be made available for general assistance, and further that residence requirements in all federally financed programs should be eliminated.

While in the course of time the public-assistance program will continue to shrink and eventually assume a residual responsibility, providing assistance to the exceptional cases that for a variety of reasons are not covered or inadequately covered by the old-age and survivors and disability insurance program or unemployment compensation, the probability of this residual role is still many years off. In the meantime, an urgent and heavy Federal, State and local responsibility exists for assisting these millions of people on public assistance and others denied assistance because of vagaries and gaps in the law to obtain food, shelter, and clothing, and to secure constructive social services that will assist them toward self-help, self-care, and constructive family life.

We regret that the programs of cooperative research in social security and welfare and training of public-welfare employees, authorized in the 1956 amendments to the Social Security Act and so fundamental to the development of constructive social services, received no appropriations in the first session of this Congress and were not supported by requests from the executive department of the Government in the second session of this Congress.

TITLE V, GRANTS TO THE STATES FOR MATERNAL AND CHILD WELFARE

Authorizations for maternal and child health services, crippled children services, and child welfare services

We support fully the $5 million increase in the authorizations for the 3 sections of title V of the Social Security Act. We believe that a substantially larger amount is fully justified, but we think it is important that the maternal and child health services authorizations and the crippled children services authorizations, which have been at the ceiling for several years, and child welfare services grants, which reached the ceiling this year, be increased by at least the $5 million proposed in this bill.

Extending child welfare services to all children

The proposal that child welfare services be made available to all children in a State regardless of place of residence is a most desirable and necessary one. With child health services and crippled children services appropriately available to all children in a State, it is inconsistent and inequitable to deny such statewide coverage to all children needing protection and care because they are homeless, dependent and neglected, or in danger of becoming delinquent.

CONCLUSION

The support of the National Association of Social Workers for the provisions contained in H. R. 13549 is based on the fact that the bill recognizes the importance of increasing benefits to OASDI beneficiaries and payments to persons in receipt of public assistance and an increase in authorizations for grants to the States for health and welfare services to mothers and children. The bill further includes provisions for individuals previously not covered under the Social Security Act—namely, the dependents of the beneficiaries of disability insurance and children in need of foster home and protective services living in urban areas.

We hope that the provisions of this bill may be approved by the Congress and that an objective study may be undertaken immediately and completed soon as to the most desirable and practical methods for assuring that health care benefits shall be made available to recipients of old age and survivors and disability insurance.

NATIONAL ASSOCIATION OF SOCIAL WORKERS,
New York, N. Y.

RESOLUTIONS ON AMENDMENTS TO THE SOCIAL SECURITY ACT—ADOPTED BY DELEGATE ASSEMBLY, CHICAGO, ILL., MAY 10, 1958

Whereas the Social Security Act has now been in effect for almost a generation and provides protection to almost all Americans against loss of income because of the death or retirement of the wage earner;

Whereas the level of benefits, however, is now inadequate in relation to the cost of living;

Whereas the act makes no provision for the costs of health care of insured beneficiaries, thus requiring many of the aged beneficiaries to deny themselves, needed care or resort to the medical care provisions of the old age assistance program;

Whereas the disability amendment of 1956 requires automatic referral to State vocational rehabilitation services of all disability beneficiaries. Federal and State appropriations for such services are relatively limited in relation to need and restrain, therefore, the number of persons rehabilitated;

Whereas the provisions for the range of services and the authorization of funds for services to children in several titles of the act are insufficient and inadequate;

Whereas measures and funds for the prevention and control of juvenile delinquency are urgently needed. Such measures are and should be an integral phase of Federal-State concerns for the welfare of children; and

Whereas provision should be made for Federal participation in the maintenance of children who require foster care: Be it therefore

Resolved, That the National Association of Social Workers favor amending the Social Security Act by providing an increase in benefits payments of about 10 percent, provide for the payment of hospitalization, nursing home, and surgical care costs and provide for the payment of rehabilitation costs from the insurance system; and be it further

Resolved, That the costs of these improvements in the act be met by increasing the taxable base to $6,000 from the present $4,200 and by increasing payroll contributions by one-half percent each on employee and employer; and that, title IV—Grants to the States for Aid to Dependent Children—be amended to provide Federal funds for any needy child living with any relative regardless of the cause of need and thus avoid putting a premium on desertion as is now the effect of the present title; and that, Title V—Grants to the States for Maternal and Child Welfare—be amended to allow child welfare services to be extended to children in urban areas and further amended to include services to delinquent children so as to enable funds to be used for prevention and control of juvenile delinquency. The authorization for child welfare funds should be increased from the present $12 million to $25 million so as to provide for the enlarged purposes of this title; and be it further

Resolved, That copies of this resolution be sent to the chairmen of the House Ways and Means Committee and the Senate Finance Committee, and to the Secretary of the Department of Health, Education, and Welfare.

RESOLUTION ON ABOLISHMENT OF ALL RESIDENCE AND SETTLEMENT LAWS IN PUBLIC WELFARE PROGRAMS

Whereas the right of a citizen to move freely from place to place and to choose his abode in accordance with his needs and desires is one of the fundamental freedoms of a democratic society;

Whereas arbitrary length of residence restrictions and requirements in the determination of eligibility for public welfare services contravenes this right for those requiring such services; and

Whereas length of residence laws not only restrict basic rights but cause hardship and suffering which is aggravated by variations among these laws among the States of the United States: Be it therefore

Resolved, That the National Association of Social Workers in delegate assembly declare its support of the principle of the abolishment of all residence and settlement laws in public welfare programs.

The CHAIRMAN. Another statement by Mr. T. Marx Huff, chairman of the legislative committee of the Interstate Conference of Employment Security Agencies before the Senate Committee on Finance in lieu of his personal appearance.

(The statement referred to follows:)

STATEMENT OF T. MARX HUFF, CHAIRMAN OF THE LEGISLATIVE COMMITTEE OF THE INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES

Mr. Chairman and members of the committee, my name is T. Marx Huff. I am executive director of the Mississippi Empolyment Security Commission and chairman of the legislative committee of the Interstate Conference of Employment Security Agencies. I am submitting this statement in my capacity as chairman of the conference legislative committee.

Our conference supports section 406 of H. R. 13450, which would amend section 6334 (a) of the Internal Revenue Code so as to exempt unemployment benefits from Federal tax levies. Such levies are contrary to State unemployment-compensation laws and, we believe, to the purposes of unemployment compensation. I am attaching to this statement conference resolutions which establish our position on this issue.

Each State unemployment-compensation law provides that rights to unemployment-compensation benefits shall be exempt from levy, execution, attachment, or any other remedy for the collection of debt. These provisions are expressions of State policy. The parallel policy of the Congress is expressed in section 3304 (a) (4) of the Internal Revenue Code, which prohibits withdrawals from the unemployment fund of any State except for the payment of unemployment compensation and refunds of taxes. For more than 20 years, this provision has been interpreted to require the exemption from levy which all State laws contain.

Prior to 1954, the Internal Revenue Code was interpreted to exempt unemployment-compensation benefits from Federal levy. However, pertinent sections of the Internal Revenue Code of 1954 (secs. 6331, 6332, and 6334 (a)) have been interpreted to authorize such levies. A delicate problem is created, therefore, in that the policy and practice of the Internal Revenue Service places the Federal Government in the position of resorting to actions which the Federal Government prohibits on the part of the States. In a survey made last year, 27 States reported that levies had been made on unemployment-compensation payments in their States. I have attached a report of this survey to this statement, and I would appreciate its being included in the record.

We have negotiated with the Internal Revenue Service in an effort to obtain a different interpretation of the Internal Revenue Code. These negotiations were friendly, and did result in clairfication of policy, but the Internal Revenue Service does not feel that it can alter its basic position. The conference was forced to conclude that the only way of obtaining an exemption of unemployment benefits was through congressional action. (Correspondence which represented the conference position in the matter and the response of the Internal Revenue Service is attached in the form of a letter from Mr. Lee G. Williams, counsel for the legislative committee of this conference, to Mr. Russell C. Harrington, Commissioner of Internal Revenue, dated February 7, 1956, and Mr. Harrington's reply, dated March 30, 1956.)

Railroad unemployment-insurance benefits are exempt from the Federal levy process. When the railroad unemployment-insurance law was originally enacted, the benefits were specifically exempt from Federal levy. The 1954 Internal Revenue Code, however, brought them within the scope of the Internal Revenue Service levies. The Congress amended the Railroad Unemployment Insurance Act in 1955 to exempt them again (Public Law 383, 84th Cong., 1st sess.). With the amendment, the relevant provision of the Railroad Unemployment Insurance Act now reads: "Notwithstanding any other law of the United States, or of any State, Territory, or the District of Columbia, no benefits shall be assignable or be subject to any tax or to garnishment, attachment, or other legal process under any circumstances whatsoever, nor shall the payment thereof be anticipated" (sect. 2 (e)).

The House committee, in its report on the bill (H. Rept. 1046, 84th Cong., 1st sess.), used the following language in explaining this provision:

"Section 4 of the reported bill would amend section 12 of the Railroad Retirement Act and section 2 (c) of the Railroad Unemployment Insurance Act to restore in full the exemption, with respect to the Federal laws, from taxation, attachment, or other legal process of benefits payable under the respective acts, and to make clear that such exemption is effective, as well, contrary to the views of some State authorities, in respect of the laws of several States, the District of Columbia, and the Territories. The amendments made by this section of the bill, being enacted subsequent to the enactment in 1954 of general provisions of the Internal Revenue Code (secs. 6321, 6322, 6331–6334) indirectly removing, with respect to such benefits, the exemption against attachment or other legal process for purposes of tax collection, will again preclude the attachment of benefits under the two sections of the acts above for purposes of collecting Federal taxes. The specification of a retroactive effective date for this section shows continuity of the congressional policy, from the time of the original enactment of these 2 sections to date, against making such benefits under said 2 sections assignable, or subject to any tax, garnishment, attachment, or other legal process under any circumstances whatever, and against the anticipation of such benefits."

The appropriate Senate committee also held hearings on this subject in 1955, and the same record with respect to this provision was made before that committee as before the House committee.

We believe also that these levies are inconsistent with the purposes of unemployment compensation. While there is no needs test in connection with the payment of unemployment benefits, the program rests on the premise that unemployed persons need these benefits to meet the essentials of existence. To levy for delinquent taxes against these benefits is, therefore, inconsistent with the basic objectives of the unemployment-insurance program.

On the basis of conflicts between these levies and State law, conflicts within the Internal Revenue Code itself, and inconsistency with the policy established by the Congress in connection with other programs and with the objectives of unemployment compensation, we strongly recommend that unemployment benefits be specifically exempt from Federal levy. This could be accomplished by favorable action on section 406 of H. R. 13549.

Interstate Conference of Employment Security Agencies

Resolution IV. Levies on Unemployment Compensation Payments

Whereas the Internal Revenue Service has interpreted the Internal Revenue Code of 1954 to permit levies, at the source, on unemployment-compensation payments to satisfy delinquent Federal income-tax claims; and

Whereas many State employment-security agencies have received such levies; and

Whereas such levies are contrary to the provisions of State unemployment-compensation laws and to the purposes of unemployment compensation; and

Whereas negotiation, although friendly, has failed to produce a satisfactory resolution of this issue; and

Whereas efforts to obtain Federal sponsorship of remedial legislation have apparently failed: Now, therefore, be it

Resolved, That the Interstate Conference of Employment Security Agencies direct its incoming officers to take all appropriate steps to obtain, by congressional action, an exemption of unemployment-compensation payments from Federal levy.

Adopted at the 20th annual meeting of the interstate conference, held October 8–11, 1956.

Resolution II. Levies on Unemployment Compensation Payments

The Interstate Conference of Employment Security Agencies hereby directs its incoming officers to take all appropriate steps to obtain, by congressional action, an exemption of unemployment-compensation payments from Federal levy.

Adopted at the 21st annual meeting of the interstate conference, held September 9–12, 1957.

Report on Levies by the Internal Revenue Service on Unemployment Compensation Payments[1]

In March 1957 the national executive committee of the Interstate Conference of Employment Security Agencies authorized the distribution to its member employment security agencies of a questionnaire asking for information on levies by the Internal Revenue Service on unemployment compensation payments due a claimant who owes delinquent Federal taxes. Member agencies were asked to include levies made since 1954 on State unemployment compensation payments, unemployment compensation for veterans, and unemployment compensation for Federal employees. All member agencies having unemployment compensation laws, including the 48 States, the District of Columbia, Alaska, and Hawaii, returned their questionnaires.

NUMBER OF LEVIES IN EACH STATE

Twenty-seven State employment security agencies reported that levies had been made by the Internal Revenue Service on unemployment compensation payments in their States. Twenty-four agencies reported that no levies had been made. Of the 24, 3 reported that the Internal Revenue Service had discussed levies with them, but that no action followed the discussions.

The number of levies made in each of the 27 States varied from 1 in 7 States to 52 in 1 State. A distribution of the States by number of levies is given in the table below:

Classification of States by number of levies

Number of levies:	Number of States	Number of levies—Continued	Number of States
1	7	10	2
2	8	15	1
3	4	Over 15	1
6	2		
8	1	Total	27
0	1		

NUMBER OF LEVIES IN EACH INTERNAL REVENUE SERVICE REGION

Levies made in each of the Internal Revenue Service regions varied from a low of 1 in 2 regions to a high of 76 in 1 region. Levies in the remaining regions numbered (from low to high) 3, 6, 10, 10, 11, and 33.

AMOUNT OF LEVIES

Twenty-one of the twenty-seven States in which levies have been made reported the amount of each levy. The amount of each levy in the 21 States reporting varied from $8 to $452. A distribution of levies by amount is given in the table below:

Classification of levies by amount

Amount of levy:	Number
Under $50	34
$50 to $99	26
$100 to $149	6
$150 to $199	2
$200 to $249	4
$250 to $299	1
Over $300	6
Information not available	72
Total	151

STATE ACTION ON LEVIES

Fourteen State employment security agencies reported that they had complied with the levies made on unemployment compensation payments. One State reported that, upon authorization from the Federal Bureau of Employment Se-

[1] This report was prepared in April 1957 by the Office of the Executive Secretary, ICESA, room 5212, Department of Labor Building, Washington, D. C.

curity, it complied with levies involving only unemployment compensation for veterans payments. It held up levies involving State unemployment compensation payments pending a ruling of the State attorney general. Three States reported that the claimants involved had ceased filing claims at the time the levies were made. Consequently, the question of compliance did not come to issue. In two States the levies were withdrawn after discussions between Internal Revenue Service and State employment security officials. Two States reported that they would not comply unless ordered to do so by a court of competent jurisdiction. One State reported that it did not comply because the levies did not satisfy the garnishment law of the State, a condition which Federal courts have held must be met. Two States reported that they did not comply because of advice from their attorneys general that their laws prohibited levies, and two States reported, without explanation, that they did not comply.

COMMENTS BY STATE EMPLOYMENT SECURITY AGENCIES

State employment security agencies were invited to comment on levies by the Internal Revenue Service on unemployment compensation payments. Excerpts from some of the comments are given below.

"Our position is that unemployment insurance benefits are not a debt a State owes to an individual, but a benefit paid to accomplish a specific social purpose for the benefit of society as a whole."

"The Attorney General's recommendation was that the amount of benefits in controversy be withheld from the claimant, but that it not be paid over to the Director of Internal Revenue until an order is entered by a court of competent jurisdiction relieving the director of labor of all liability to the United States or to the employee. No court action has as yet been taken by the Internal Revenue Department, and we are holding the benefit checks until such time as court action is taken."

"In some cases it does not appear that they are 'flagrant' as set out in the rules and regulations, before resorting to levy against unemployment compensation. It appears that the Internal Revenue Service is taking the easiest method of collection and using the employment security agencies as their 'collection agencies.' It is not so bad in the case of single persons or those without dependents, but it is almost taking away the money intended for food and living expenses from fathers and mothers with dependent children. Such persons eventually return to work and the law relative to collection of delinquent income taxes is ample and sufficient to enable the Internal Revenue Service to collect the taxes from current wages, as they are not exempt from seizure. The levy action of the Internal Revenue Service defeats, at least in part, the intent of 'unemployment compensation.' In some cases it may force such taxpayers to go to some 'relief agency' for food. The Employment Security Act prohibits a levy or any form of attachment for State or ordinary debts, so long as the amount remains in the form of unpaid benefits or an uncashed warrant. The enforced collection of Federal income taxes from these benefits by means of Internal Revenue Service levy, defeats or circumvents the Employment Security Act."

"Having had no experience, we can't definitely say what action we would take if we were confronted with such a levy."

"Our act specifically states that the rights to benefits shall be exempt from levy. The Federal agency felt that this did not mean their levy, but our agency felt that it would not comply with the levy until such time as the court instructed it to do so. The matter was not taken up with the courts; it was, apparently, abandoned by the Federal agency."

"We have had no attempt made by the Internal Revenue Service to levy against any of our claimants. If there had been and if there is going to be we intend to bring the matter to court. Our law provides as follows: 'Benefits which are or may become due under this chapter shall not be assigned, pledged, encumbered, released, commuted, or trusteed before payment; and when paid shall, as long as they are not mingled with other funds of the beneficiary, be exempt from all claims of creditors, and from levy, execution, and attachment or other remedy now or hereafter provided for the recovery or collection of debt, which exemption may not be waived.'"

"We did not comply with the levies because they did not satisfy the garnishment law of the State, which the Federal courts have held must be done."

"One levy was withdrawn. 'One benefit check withheld for only a very short time, was mailed to claimant upon withdrawal. Other than above, no notices

of levy have been actually served on the agency. However, in two other instances levies were 'threatened' but notices thereof were not served."

"The district director contacted me and I informed him that we would not honor any levy. Nothing further has been heard."

"The Attorney General indicated we had no authority to comply, so the Internal Revenue Service was notified accordingly, and no further action was taken."

"We complied upon advice of Department's legal counsel."

"Our State has been signally fortunate in not having had some of these levies placed against it and I can say unqualifiedly that if such does arise, I shall refuse to accept or honor the attachment. I am unalterably opposed to the principle involved namely, that the Federal processes should be allowed to be attached to unemployment compensation payments. It appears to me that it is in conflict with the general philosophy behind the whole act wherein the benefits are paid almost on a subsistence level to claimants between periods of employment. My thinking is clearly expressed in this area in a bill which has already been approved by our House of Representatives and has tentative approval of the Senate. In section —— of this bill you will find that two words are added 'or taxes,' and it is the addition of these two words which expresses my feelings. It may be that the law itself, if thus amended, will be ruled to have no force and effect when in conflict with the Federal regulations pertaining to the same, but it is equally certain that the opinions expressed therein will be the opinions and/or the intentions of our legislature that said levies be not applied in such matters."

"We comply with the levy if the claimant is in compensable status."

"Our legal staff has conferred with the State attorney general's office regarding these levies, and the right of the Federal Government to levy on the moneys is definitely challengeable."

"This agency is strongly in favor of an amendment to Federal law which will exempt unemployment compensation from Federal levy. It is an anomaly that the unemployment insurance benefits of a person who is unemployed and presumably needs these moneys to tide him and his family over until he is again employed should be subject to levy for taxes when these benefits cannot be levied against for other more pressing debts such as rent, clothing and subsistence."

"Two or three levies were involved to the extent that IRS representatives discussed possible levies with the agency but after the discussion no action was taken."

"Our unemployment compensation law is very specific on the matter of assignment or attachment of unemployment compensation. The law provides: 'No assignment, pledge, or encumbrance of any right to compensation which is or may become due or payable under this act shall be valid, and such rights to compensation shall be exempt from levy, execution, attachment, or any other remedy whatsoever provided for the collection of debt.' The law is also specific with respect to exemptions to assignment or attachment of unemployment compensation. We readily recognize the authority of the Federal Government to levy upon compensation. However, since our law fails to provide for such levies and because the levies might cause undue hardship to the beneficiaries, we are not in sympathy with the United States Internal Revenue practice of levying upon unemployment compensation benefits."

"It is my opinion that the intent of the programs under which we operate would be, to a limited extent, perverted by such action on the part of the Internal Revenue Service. Every effort should be made to the end that the Federal law is amended to the extent that such unemployment compensation payments are exempt from Federal levy."

"If any levies are made, we will not comply."

"We have complied in all cases where payable claims had been filed."

"I am very much in favor of the internal revenue department discontinuing these levies. Unemployment compensation is paid to individuals who are out of work and to tide them over until such time as they can secure a job, and it does not seem to me that this money should be taken away from them for such purposes as Federal income taxes."

"If the collector of internal revenue issued to all district collectors of internal revenue a policy statement that unemployment compensation warrants issued to claimants by States for unemployment compensation payments were exempt from Federal levy by the Internal Revenue Service, it would take care of the problem and it would not be necessary to amend the Federal law. It would seem

that the respective Cabinet members could coordinate and handle the above problem."

"We consider diversion of unemployment funds under any unemployment insurance program for payment of unpaid taxes or for any other type of debt to be completely contrary to the purposes of unemployment insurance legislation and to be damaging to the public good. We earnestly hope that appropriate Federal installation can be passed to combat this evil."

INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES,
Austin, Tex., February 7, 1956.

Mr. RUSSELL C. HARRINGTON,
Commissioner, Internal Revenue Service, Washington, D. C.

DEAR MR. HARRINGTON: Thank you for affording Mr. Bride, Mr. Curtis, and me the opportunity, on February 2, to discuss with you and your staff members the matter of Internal Revenue Service levies on unemployment compensation benefits. Thank you, too, for the opportunity of presenting this letter in behalf of the Interstate Conference of Employment Security Agencies which, as you know, is an organization of all State employment security agencies.

You will recall that our discussion centered around three points:

1. State unemployment statutes generally provide that rights to benefits shall be exempt from levy, execution, attachment, and any other remedy for the collection of debt. These provisions are expressions of State policy.

2. The parallel policy of the Congress of the United States is expressed in section 3304 (a) (4) of the Internal Revenue Code of 1954 which prohibits withdrawals from the unemployment fund of any State except for the payment of unemployment compensation and refunds of taxes.

3. The provisions of the Internal Revenue Code dealing with levy and distraint provide a definition of "person" which appears not to embrace a sovereign State or its departments or agencies. (Sec. 6332 (c) of the Internal Revenue Code of 1954.)

We attempted to make it clear that we are fully aware of your statutory duty to employ every authorized means to collect taxes which are due the United States. We recognized that unemployment compensation is definitely not listed in the categories of property exempt from levy under the terms of section 6334 (a) of the code. We pointed out, however, that subsection (c) of section 6334 of the code is a general provision which, if it is improperly construed, might seem to nullify the specific congressional policy with respect to unemployment compensation which is expressed in section 3304 (a) (4) of the code. Particularly, we pointed out that section 3304 (a) (4) requires that the unemployment statute of each of the 48 States contain language expressly limiting withdrawals from the State unemployment fund to the payment of unemployment compensation and refunds of taxes. It seems quite unlikely that the broad terms of section 6334 (c) were intended to destroy the unmistakably specific Federal policy expressed in section 3304 (a) (4), which policy has, for about 20 years, been bolstered and affirmed by the presence of the required provisions in the laws of the 48 States.

It seems certainly to be arguable that the very wording of subsection (c) of section 6334 justifies the States' insistence that the levy and distraint provisions of the code do not reach unemployment compensation benefit rights. The subsection reads:

"Notwithstanding *any other law* of the United States, no property, or rights to property, shall be exempt from levy other than the property specifically made exempt by subsection (a)."

The italicized words accent the fact that it is the same law; to wit, Public Law 591, cited as the Internal Revenue Code of 1954, and, specifically, section 3304 (a) (4) of this law, which proscribes withdrawals from unemployment trust funds for any purpose other than the payment of benefits and the refund of taxes. It is significant that subsection (c) does not say "any *other provision* of Federal law." It says, instead, "Notwithstanding any *other law* of the United States." "Other law" logically means a law other than the law which is being read. Certainly, all provisions of the Internal Revenue Code are provisions of the same law, that is, the code itself. Without belaboring the point, we urge that there is very great latitude for interpretation in the language of section 6334 (c).

It is to be noted in this connection that the States do not argue that a provision of *State* law can produce an exemption from levy; rather, they point

out that *the law* of the United States (Public Law 591) which provides for the levy is *the* law of the United States which likewise provides the exemption. No *other law* is involved. Subsection (c) of section 6334 of the code is a general provision of law which must yield to the specific provisions of and to the specific policy reflected by section 3304 (a) (4) of the same law, the code. This rule of statutory interpretation is firmly established.

We who represented the States urged also that your counsel restudy the definition of "person" set forth in subsection (c) of section 6332 which deals with the surrender of property subject to levy. Subsection (a) of section 6332 requires that "any *person* in possession of (or obligated with respect to) property or rights to property subject to levy upon which a levy has been made shall" surrender such property or rights. Subsection (c) of the same section defines "person":

"The term 'person,' as used in subsection (a), includes an officer or employee of a corporation or a member or—employee of a partnership, who, as such officer, employee, or member, is under a duty to surrender the property, or rights to property, or to discharge the obligation."

We urge that this definition is not broad enough to include a State or an agency or department of State government. This position is supported by the fact that the Congress found it necessary to provide, in subsection (a) of section 6331 of the Code, a companion provision dealing with levy and distraint, that levy can be made on the wages of an employee of the United States, the District of Columbia, or any other agency or instrumentality of either, by serving a notice of levy on his employer. This specific authorization for levy in the case of the Federal Government and the government of the District of Columbia argues very strongly that the omission of States and State departments from the definition of "person" in the next succeeding section of the Code was intentional and that the authorization of levies does not include authorization of levies on sovereign States in spite of the broad language of section 6334 (c) dealing with property subject to levy.

It is to be noted that nowhere else in the sections of the Code dealing with levy and distraint is there any authorization with respect to States and State agencies, such as the authorization contained in section 6331 (a) with respect to the Federal Government, the District of Columbia, and their agencies or instrumentalities. This omission is highly significant; particularly so, in view of the policy reflected by section 3304 (a) (4).

We explained that we are aware of revenue ruling No. 55-227, dealing with instrumentalities of a State, but we are not aware of any ruling or of any regulation under the Code which enlarges the definition of "person" set forth in section 6332 (c). It is, of course, our position that we have been shown no statutory language in the Code upon which such a ruling or regulation could properly be predicated.

We exhibited, at the time of our discussion with you, several "notices of levy" which had been served on employees of the Texas Employment Commission. One of them was for a total sum of $12.73 for 1952 income tax. The unpaid balance was $6.73 and the statutory additions amounted to $6, for the $12.73 total. Another levy was for 1949 additional income tax, the unpaid tax balance being $12 and the statutory additions amounting to $9.67, for a total of $21.78. Others were for larger amounts. These details are mentioned to call attention to the possibility that the administrative expense, both to your Service as well as to the States employment security agency, may well be greater than the tax realized. They are likewise mentioned in connection with your expressed policy of using the levy in connection with unemployment benefit rights only judiciously and as a last resort in stubborn or flagrant cases.

You will recall that we suggested that, in the event your counsel was able to justify these levies upon the basis of code provisions, you might wish to consider some arrangement whereby a levy on unemployment-compensation rights would be made in a particular case only upon express authorization by higher authority. That suggestion was, we said, a bit premature, because we sincerely felt that your review of the policy questions involved, coupled with the distinct possibility that the levies are not required or authorized by the code, would obviate the necessity for its consideration.

We did not, at our meeting, nor do we now, dwell at length upon the nature of an unemployment-compensation benefit payment. You are fully aware that these small payments, approximating only a fraction of the unemployed worker's regular earnings, are provided, to quote from section 1 of the Texas Unemployment Compensation Act, "* * * for the care of the justifiably unemployed during times of economic difficulty thereby preserving and establishing self-respect,

reliance, and good citizenship." The alternative to unemployment benefits is recognized to be private or public charity.

It is, therefore, understandable that the administrator of a State unemployment-compensation program is placed in a dilemma when he is handed a levy upon the unemployment-benefit rights of a claimant. Is he to disregard his State's policy and those express provisions of his State law which prescribe that "benefits shall be exempt from levy, execution, attachment, or any other remedy whatsoever"? Or is he to become "liable in his own person and estate to the United States" for refusing to surrender benefit rights protected by State law? It is no wonder that the State administrators who are confronted with this problem earnestly seek from you a solution firmly based upon high policy, both State and Federal, and upon the statutory language contained in the sections of the code mentioned.

Thank you again for the spirit in which you received us, for your courtesy, and for your understanding of our problem.

Very truly yours,

LEE G. WILLIAMS,
Counsel, Legislative Committee, Interstate Conference of Employment Security Agencies.

UNITED STATES TREASURY DEPARTMENT,
Washington, March 30, 1956.

INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES,
Austin, Tex.
(Attention: Mr. Lee G. Williams, Counsel.)

GENTLEMEN: This is in reply to your letter of February 7, 1956, in which you request that a study be made of the statutory language of the pertinent sections of the Internal Revenue Code of 1954 on the subjects of levy and distraint for the purpose of ascertaining whether a conclusion can be arrived at that State unemployment-compensation benefits may not be levied upon for the collection of taxes. You call attention to a conference in this office on February 2, 1956, on this matter, and describe at length the points which were considered in the conference. Specifically, these points are:

1. State unemployment statutes, generaly, provide that rights to benefits shall be exempt from levy, execution, attachment, and any other remedy for the collection of debt. These provisions are expressions of State policy.

2. The parallel policy of the Congress of the United States is expressed in section 3304 (a) (4) of the Internal Revenue Code of 1954, which prohibits withdrawals from the unemployment fund of any State except for the payment of unemployment compensation and refunds of taxes.

3. The provisions of the Internal Revenue Code dealing with levy and distraint provide a definition of "person" which appears not to embrace a sovereign State or its departments or agencies (sec. 6332 (c) of the Internal Revenue Code of 1954).

You further suggest that, in the event it is determined that levy may be made on these benefits under present code provisions, consideration be given to establishing some arrangement administratively whereby a levy on unemployment-compensation rights would be made in a particular case only upon express authorization by higher authority. This was to avoid levy in those situations where amounts were small or hardship otherwise exists.

Section 6331 of the 1954 code grants to the Secretary or his delegate the authority to levy upon all property and rights to property of a delinquent taxpayer except such propetry as may be specifically exempt from levy under section 6334 of the code. Section 6334 exempts only certain wearing apparel, schoolbooks, fuel, provisions, furniture, personal effects, and books and tools of a trade, business, or profession. Subsection (c) of such section provides that, notwithstanding any other law of the United States, no other property or rights to property shall be exempt from levy for collection of taxes due the United States.

Pursuant to section 3304 (a) (4) of the code referred to in your letter, each State law under which unemployment-compensation payments are made must provide that the funds in the State unemployment-compensation account may be used only for the payment of benefits under the State law. This requirement constitutes one of the so-called State standards which must be satisfied as a condition precedent to certification of the State by the Secretary of Labor to the Secretary of the Treasury. Such certification is required each year for the

purpose of qualifying the State for the allowance of a credit against the tax imposed by the Federal Unemployment Tax Act for contributions paid to the State under its unemployment-compensation law. A restudy of the above-mentioned sections of the code, as requested, reveals no real inconsistency, since their respective applications are not interrelated.

Moreover, the regulations issued pursuant to section 6334 (c) of the 1954 code clearly provide that no property or rights to property are exempt from levy unless the exemption is specifically provided in section 6334. (See sec. 301.6334-1 (c); T. D. 6119, C. B. 1955-1, 145.)

Report No. 1622 of the United States Senate Committee on Finance, to accompany H. R. 8300 (a bill to revise the internal revenue laws of the United States), states with respect to section 6334 (c) of the 1954 code, on page 578 thereof, in pertinent part, as follows:

"Subsection (c) of this section states that no property or rights to property, other than the properties specifically made exempt in this section, shall be exempt from levy by reason of any other law of the United States. Provisions of State law cannot grant an exemption from levy, and this subsection makes it clear that no other provision of Federal law shall exempt property from levy."

In regard to the contention raised that the omission of "States" from the definition of "person" in section 6332 (c) was intentional, and that the code was not intended to authorize levy on sovereign States (notwithstanding the language of sec. 6334 (c) on the subject of property levy), section 7701 (a) of the 1954 code, on definitions, reads: "(a) When used in this title, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof—

"(1) PERSON.—The term 'person' shall be construed to mean and *include* an individual, a trust, estate, partnership, association, company, or corporation." [Italic supplied.]

Subsequently, in the same section of the code, under subsection (b), an official interpretation of the meaning of the word "include" is presented, reading: "The terms 'includes' and 'including' when used in a definition in this title shall not be deemed to exclude other things otherwise within the meaning of the term defined." The definition of the term "person" in section 6332 (c) is apparently of an "inclusive type" and does not, therefore, automatically exclude a State or its instrumentalities from being considered as persons.

In *State of Ohio* v. *Helvering* (292 U. S. 360), it was held that the term "person" may include a State within the meaning of section 3140 of the United States Revised Statutes, relating to internal revenue, which is the statutory precursor of section 7701 (a) (1) of the Internal Revenue Code of 1954, as above quoted.

In view of the foregoing, it is concluded that adequate authority exists for levy upon State unemployment benefits for the collection of taxes. However, it is the policy to levy on income of this type only in flagrant and aggravated cases and where all other efforts to secure the cooperation of the taxpayer in the payment of the tax have been unavailing. To do otherwise would seem to defeat the purpose and intent for which the Federal and State statutes creating such income were enacted and, in most cases, would cause severe hardship on the individual involved.

We will again caution our field offices to avoid any levy action on unemployment-benefit cases which is not in strict accordance with the Service policy as stated above. At the same time, we will insist that prior approval of such levies be exercised by the Chief, Delinquent Accounts and Returns Branch, the official responsible to the district director for the collection of all delinquent accounts in the area in which he serves. This function will not be redelegated.

We have considered the propriety of establishing monetary limitations on amounts which should be subject to levy. Our view is that this is but one of several factors which must be taken into account in arriving at a decision to levy. I am sure that you appreciate the fact that there may be instances where the flaunting of the law is so aggravated that we must proceed with involuntary collection action although the cost thereof exceeds the revenue produced. In reviewing our policy we will, however, emphasize to our field offices the necessity of weighing the cost of collection versus the outstanding tax liability in making their levy determinations.

Thank you for the interest you have taken in this matter and the assistance you have given us in its handling.

Very truly yours,

RUSSELL C. HARRINGTON,
Commissioner.

The CHAIRMAN. We have 10 more witnesses. Is it the pleasure of the committee to meet this afternoon or tomorrow morning?

We will meet at 2:30 this afternoon, without objection.

(Whereupon, at 1 p. m., the committee recessed, to reconvene at 2:30 p. m. of the same day.)

AFTERNOON SESSION

Senator FREAR (presiding). The committee will come to order.

The first witness this afternoon is Mr. Nelson H. Cruikshank, director of the department of social security, AFL–CIO.

Senator CARLSON. I would like to state, before Mr. Cruikshank starts, that it is always a pleasure to have him come up here. I do not always agree with him, but I think he is one of the ablest of men.

Senator FREAR. We are always glad to have him.

STATEMENT OF NELSON H. CRUIKSHANK, DIRECTOR, DEPARTMENT OF SOCIAL SECURITY, AFL–CIO, ACCOMPANIED BY CLINTON FAIR

Mr. CRUIKSHANK. Mr. Chairman and gentlemen, I was to be accompanied by one who is well known to you, Mr. Andrew J. Biemiller, director of the AFL–CIO legislative department, but he has been called to other duties, and so I am accompanied now by an assistant of my department, Mr. Clinton Fair.

We have this 8-page statement, which with your permission, Mr. Chairman, I should like to introduce in full into the record, but in view of the tight schedule that you have, and that you are already a little bit behind that schedule if I can help by condensing this and take a few moments, I would be glad to do that, if it will help.

Senator FREAR. The entire statement will be made a part of the record. You may summarize as you so desire.

Mr. CRUIKSHANK. As you know, the AFL–CIO urged considerably more far-reaching changes in the social security and social insurance systems than this bill which is now before you provides.

We had hoped, particularly, that there would be some more fundamental changes in unemployment compensation.

We had hoped that there would be some provision against the cost of hospital, surgical, and nursing home care for aged and other beneficiaries, and particularly in view of the 8 percent increase in the cost of living since the last changes in the benefit levels of old-age and survivors insurance, we had hoped that the increases in these categories could be increased, if not 10 percent, at least 8 percent.

We had, also, been particularly hopeful that this bill might have included the matter of tips for wages for those in service employment and the service trades. As you know, these people receive a large part of their income, a large share of their income from sources other than their direct employer.

They have to pay income tax on this income, but it is not included in creditable wages for social security purposes so their average wage for social security purposes is often far below what their actual earned income has been.

However, this bill does not include that, and so we say that despite what we consider the relative shortcomings of this bill to meet a num-

ber of these problems, it is the position of our organization that there is enough of substantial benefit to working people to merit its support.

We recognize the short time that remains to the Senate before the Congress will adjourn and know that probably many of these far-reaching programs to which this committee, to fulfill its responsibilities, would have to give more time than actually remains to it.

So I would like briefly just to speak shortly to the four basic areas which we think there is substantial improvement—namely, the increase in benefits, and the financing provisions, and the improvement in the public assistance program and the improvements in the maternal and child welfare program.

In the full text we have worked out some tables that show the actual increases in benefits, and we did that partly because the House report which usually carries these things did not at this time, I presume, on account of the time—the very limited time available.

We are interested that there has been a great deal of talk in the press and on the radio about a 7 percent increase. And we have ourselves indicated that that is not sufficient, but in all fairness it should be pointed out that in a number of areas there is more than a 7 percent increase available in benefits to retired workers and their survivors.

Of course, right at the outset there is a 10 percent increase in the minimum and we think that is advisable.

And then there are increases beyond the 7 percent for those in the higher wage brackets, that is, whose wages will be taxed above $4,200, up to $4,800 limit. There are more than 7 percent increases for those people, as should be, because they are being taxed on a greater amount of their wages.

This is a delayed effect and we have table II, which appears on page 3 of this mimeographed statement which shows the point at which a retired worker, and a retired worker and his wife, if they are both aged 65, could get the full benefit of the increase that results from the higher tax base.

Senator CARLSON. You say some will receive in excess of 7 percent. Does that mean many receive less than 7 percent?

Mr. CRUIKSHANK. No, sir. I do not believe anyone will receive less than that, unless it is a small fraction of 7 percent. But roughly speaking, everyone would receive at least 7 percent.

While this is a delayed benefit, it is not delayed in direct proportion to the time, as I think we note here, we get three-fourths of it within a very few years—three-fourths of it within 10 years; and you get half of it within just the next 3 or 4 years.

Although it takes almost 40 years for the full $4,800 tax base to reflect itself in benefits, you get a large part of that increase in earlier years and we think that is desirable.

There are some special cases in which a worker could get his highest benefit within the next few years, but it would take a peculiar combination of circumstances to work that out.

Also, we note that the survivors of a worker who dies, a man leaving a widow and 1 or 2 or 3 children, gets more than 10 percent. And the maximum becomes effective for them at an earlier date than it does for people who retire. This survivors' benefits and survivors' protection—protection for survivors, in our mind, has always been one of the most valuable parts of the social security program as it

protects families while the worker is employed. It protects him against the possibility of his death and thereby meets one of the greatest social needs.

In table III, at the bottom of page 8, you will notice that the maximum of $254, as against the present maximum of $200, could be effective as early as 1970 for a man who left a wife and two children.

If he left a wife and 3 children—and we didn't run that column—such a person at the top wage level would leave his wife and 3 children, if under 18, eligible for the maximum of $254 immediately, which is a little more than 25 percent increase in the benefit.

These are the departures from the 7 percent increase, and we think they are arguments for the passage of the bill, because they go to the people who most need the protection.

The program as it provides for widows and children, and thus keeps families off public relief and keeps families together, is, in our mind, one of the major advantages of the bill.

In keeping these benefits more closely tied to the past earnings we think is consistent with the basic principles of the system that have been in effect for the last 23 years. It is a part of our whole free enterprise system to keep the levels of living and the benefits that people draw related to their past earnings and thus build them into the basic wage incentive system characteristic of our society.

I would like to say just a word about the Advisory Council, partly because that was raised this morning. It has been said in the past, I think, more directly and with more emphasis than the Secretary said this morning that the Congress should wait for the Advisory Council to report before it does anything.

I happen to be a member of that Council and I happen, also, to have followed the legislation on it from the very first.

I believe we first suggested in the House that such an Advisory Council be set up under the 1956 amendments.

And we first suggested that the Council be authorized to review the adequacy of benefits, but the House that provision was taken out by the time it came before this committee, and before the Senate there was no such provision in it. The legislative history, therefore, is very clear that this Council, which is now operating, has no responsibility in the area of benefits. Its legislative mandate runs distincly to the final aspects of the program. And therefore, we thing, or I think, as just one member of the Council, that it is quite inappropriate that a change in benefits should await the decisions and the recommendations of this Council which has a clear mandate that it should keep out of the question of benefits.

On the provision for financing which can become quite complicated, as we recall from this morning's session, I should like to to just read the statement that President Meany made when this bill was reported to the House.

He said, and I quote:

> Organized labor has consistently supported the sound, long-term financing of the social-security system. We know that improved benefits require higher contributions. We don't believe in raiding the trust fund for an immediate advantage to those now retired, or soon to retire, as the difference would have to be made up in future years. If the social-security system now shows an acturial deficit the workers of this country stand ready, as they always have, to pay their share of the costs of the deficit as well as the cost of the improved benefits.

The improvements in the public assistance program, we think, are excellent, not only in terms of the additional benefits that could be made available to people—and we schedule here on page 6 the monthly amounts that are being paid, that is according to the lastest reports, April, 1958, which anyone can see at a glance are inadequate for people actually to live on—but we believe the proposed changes are sound, that they provided improvements in the administration of the program.

Many States are really up against it, they are up against limitations on their ability to tax, limitations on their ability to borrow, some of these constitutional limitations. And it, therefore, in our view, is necessary for the Federal Government to assume this larger responsibility in the whole public assistance program.

We think that the participation of the States should be broadened in terms of the determination of need because that by its very nature must be a very local problem, not only just as a State problem, but a problem of a locality. When we get into the question of how much does this poor person need to tide him over his period of difficulty or to keep this family together. That can only be determined on a person-to-person basis. But the Federal Government needs to carry a larger share of the whole cost of the thing than it has in the past. And we believe this bill accomplishes both of those purposes—it gives a wider determination to the localities in determining the individual case needs but assumes a larger share on the part of the Federal Government which simply means that the stronger, more well financed States, the States in which a higher group of high taxpayers happen to have their residence and pay the taxes, should carry a larger share of the burden.

It is simply a recognition of payment on the basis of ability to pay.

Now finally, we think that the provisions in title V, the maternal and child welfare program, are well taken. We had supported an increase to $25 million for the crippled children program, because we think that that agency could handle this additional amount of money, but we had supported the $5 million for the other 2 categories. Now it is $5 million for all 3 of the categories, and this will be a substantial aid.

We think, also, permitting the aid to the children in urban areas, as well as maintaining the emphasis on the rural areas is sound, because a large part of our juvenile delinquency problems are found arising in urban areas. And in our view reflect inadequate aid that comes from too rigid a control as it now is directing the major part of the program into rural areas.

In conclusion, I would like to say, in our opinion, the enactment of H. R. 13549 would provide substantial, immediate improvement in the economic security of wage earners and their families, to the millions who have retired because of age, to the disabled, and to the families with dependent children.

Time is short. Want and hunger will not wait. The improvements contained in this bill are so designed as not to do damage to our social insurance system, nor to place disproportionate burdens on workers in the future. More substantial changes in the program, which in our view, are worthy and practical, must wait for a future Congress.

We, therefore, respectively urge the enactment of this bill now.

That concludes my statement. Thank you.

Senator LONG. Mr. Cruikshank, do I understand that you favor a 10 percent increase in payments at this time?

Mr. CRUIKSHANK. Yes, sir.

Senator LONG. I take it that you feel that that is necessary since the cost living is up almost 8 percent since Congress last acted in this field?

Mr. CRUIKSHANK. Yes, sir. We believe that a 10 percent could be paid, and that since the cost of living has increased by 8 percent, since the last benefit increase was made, that we should do with the individual family deficit a little bit what we are doing with the system's deficit here. We should pay the difference between—we should cover the cost of living increase, and we should, also, chip away a little bit on how much he was behind at the previous level, because these benefits were never sufficient to keep a person at an adequate level of living. So we should chip away a little bit on that.

Senator LONG. I agree with you on that.

You are on this Commission and you have looked into some of the cost features. Do you believe that we can increase benefits 10 percent within the present cost, that is, within the present tax base that is in this bill?

Mr. CRUIKSHANK. Well, Senator, I would like to differentiate and, I believe you mentioned the difference and you meant to differentiate—I would not like to speak as a member of the Commission now because I do not think that would be proper.

Senator LONG. Yes.

Mr. CRUIKSHANK. But in the course of my looking——

Senator LONG. You know something of what the costs are?

Mr. CRUIKSHANK. I am supposed to. And from what I believe, having looked at the costs, I think we could carry a 10 percent increase in benefits now without going into a deficit, without going into an actuarial deficit.

Senator LONG. With the tax that is in the bill as it came from the House?

Mr. CRUIKSHANK. Yes.

Senator LONG. As to the actuarial deficit, what is your view on this subject of building up this huge reserve fund? Should we merely look to bringing in enough revenue to meet the payments plus a little extra, or do you think we ought to undertake to build up these huge reserves that some people have spoken of—there has been mention of $179 billion.

Mr. CRUIKSHANK. It is very hard to draw the line and say where the fund is adequate. And this is something that the council that I am a member of is now looking at. It will be a hard job to say what is an adequate amount.

I would say this, though, that it would have to be determined on the balance of two or three factors.

Among those factors would be this: First, this matter of equity, people retiring now. I do not think anybody retiring now on an actuarial basis can say that he has fully paid for the benefits that he will draw if he lives after the age of 65. So he is getting something of a windfall from the system because he is early in the system

and has not had the chance to work the full 45 years that is contemplated to retire at the age of 65.

Nobody has yet, because the system is young. Now, therefore, it is only right that he, when benefits are increased, if he is a man in middle life or approaching the age of 65, should have a tax increase so that he has borne in on him the fact that this money does not grow on bushes, that it has got to be a sound fiscal system and that if benefits are increased it will cost somebody something.

So that I think that the matter of increase in taxes at the time you increase benefits, the policy which the Congress has generally adhered to, is a sound one.

I think, also, that we cannot afford to go on strict pay-as-you-go basis because any retirement system, whether public or private, it will have an increasing line representing higher costs as the system matures. And if you put the whole burden on people of future years, then you are going to be unfair to future generations. You will be kidding the people of this generation, and you are going to be unfair to the people of future generations.

I believe, also, though, that a public system of this kind does not necessarily have to be fully funded the way, for example, the Internal Revenue System requires that a private pension plan be—that is, to get the tax benefit—because even great corporations come and go.

Well, I think sometimes the earliest retirement system that was ever put into effect, a private retirement system was, I believe, that of the Cooper Carriage Co. in 1896. It was the first or second one. And each of us only need to remind ourselves what happened to a carriage company between 1896 and now. It probably looked very secure in 1896, but certainly, it isn't secure as General Motors is today.

Corporations come and go, and private systems, therefore, have to be fully funded.

But the United States is solid and it is here and it will stay. And it will continue its power to tax. That is the ultimate security of this system. Therefore, it does not have to be fully funded as a private pension plan should be in order to be sound.

So that figure that you questioned me about, Senator—and please excuse this long answer—will have to be one that lies somewhere between a fully funded system that the private pension plan should have, and on the other extreme a pay-as-you-go plan which would be unfair to the future generations.

Senator LONG. It seems to me that as years go by we are going to somewhat liberalize this program just as we are proposing to do in this bill?

Mr. CRUIKSHANK. Yes.

Senator LONG. I do not see how any one person in the future can expect to get any less than those in the past did, because I believe it will continue to go in the general direction we are moving now. So long as every year we make payments into the fund which equal or exceed the withdrawals from the fund, we do not have to worry about the soundness of our fund.

Basically, however, if we ever get down to the point where we, as a nation, are not producing enough food and clothing and other necessities of life, to provide for the aged and the retired, then no matter how many dollars we have in the fund it will still be an unsound

program because in the last analysis this is not a dollar proposition so much as it is a matter of providing for the needs of those who are retiring because of age.

I have gained the impression that by building up the fund we are depriving large numbers of people who have retired already of something we can do for them at the present time. It seems to me in the long run we will recognize the fact that we need only be sure that our annual contributions will equal or exceed the withdrawals from the fund.

Mr. CRUIKSHANK. That is generally correct, but as the system matures you will have a higher proportion of the working population that become eligible under the provisions of the law and we should make some preparation for those future demands.

Senator LONG. We have made long strides in that—as a matter of fact, we are almost there now so far as the present working population is concerned. It is only the retired people who are not covered.

Mr. CRUIKSHANK. Yes, generally, that is true.

Senator LONG. We have large numbers not covered, but most of those working now are covered.

Mr. CRUIKSHANK. Nine out of ten are covered, and most, if they're not under this system, are under railroad retirement or civil service.

Senator LONG. We are taxing those who are presently working in order to provide for those who are retired. We can provide for them more adequately if we do not try to build up the large reserves that you would have if you were operating a private company.

Mr. CRUIKSHANK. Yes.

Senator LONG. How do you feel about the $66 maximum under public assistance—do you believe that is sufficient?

Mr. CRUIKSHANK. We think that is an improvement. I would not, certainly, want to be on record as saying that it is sufficient; no, sir. It is an improvement over the present, and we think that is a step forward that merits support. In answer to your question I would say I don't think it is sufficient.

Senator LONG. Thank you very much.

Just one further question. I believe you once told me referring to how certain things become more important and people place more emphasis on them, that a number of years ago, people considered transportation expense less than they do now. Do you recall those figures?

Mr. CRUIKSHANK. I do not know as I gave any figures, Senator. I was reminded of that again this morning as I listened to the discussion as to how much our economy could carry.

I think that it is true that people of this country and of every civilized country in the world have indicated quite clearly that they are prepared to dedicate or allocate a larger proportion of their personal incomes and of their gross national incomes to the matter of economic security. And that concept has grown.

Here is where I made the comparison when we were talking, just as people when I was a boy thought of a very small portion of the family income as being appropriately assigned to transportation. My father took a streetcar downtown to his office, and back, and we had a picnic occasionally, and now and then after 1912 when we first had an automobile, piled into the family car and went 60 miles down

to grandmother's. And that was an annual trip. And we thought that was a great thing.

Well, the whole transportation bill for the family for a year, probably, was not over $100 or $150. And now people pay $10 a week for a place to park. And they pay $80 or $90 a month, in modest income brackets, on payments on the family car and think nothing of it. That would have horrified my father.

The amount of family income that is allocated to transportation, as a matter of course, on the part of people has greatly expanded.

And I think, also, the amount of income, both personally and nationally, that people are willing to allocate to security has greatly expanded, as a parallel.

It is part of the advantage that comes out of a tremendous growth in our productivity. We are not so near "hardpan" in terms of just paying for the basic necessities of food, clothing, and shelter. We have more of this out of the tremendous productivity of our system that we can allocate to different things like security, than we could in an earlier day.

Senator LONG. Thank you very much.

Senator FREAR. Senator Carlson.

Senator CARLSON. I just wish to say this, that I am pleased to learn and to know that you are a member of the Advisory Council that was created in 1956. First, because of your ability in this field of social security, and secondly because you represent a great percentage of the population that has probably a more direct interest in keeping and maintaining a fund for future years that will really be of value to them.

And I am delighted that you are serving on that Commission.

I was interested in your thought that this Council we set up by congressional action did not permit you to go into the benefit payments.

Would it be helpful if that provision were made?

Mr. CRUIKSHANK. I believe it would be helpful, Senator, to have an Advisory Council that would review the adequacy of benefits.

When we first proposed this, as I indicated a moment ago, we thought the same Council might go into both, but I am not certain right now but what it is better to have one Council go into financial matters, or perhaps, have an expanded Council that could go into the other matters, too, because they are a little bit of a different nature.

The Advisory Council that was set up through this committee when Senator Millikin was chairman back in 1948 and 1949—I had the honor to serve on that Council—went into the whole matter of finances as well as benefit adequacy and all, and the amendments of 1950 largely grew out of the recommendations of that Council. That Council had no such restriction on its mandate.

Senator CARLSON. Those of us who are concerned about not only the benefit payments at the present time, but the future stability of the funds being collected from our people that are working and contributing to it are concerned, of course, about the financial end of it. I would ask you this: When social security was first presented to the Congress for consideration many suggested, I think your organization, in fact, the American Federation of Labor, at least, at that time, that one-third be from the contribution from the individual, the employee, one-third from the employer, and the Federal Government by direct taxation one-third.

Are you looking forward to that period in the future?

Mr. CRUIKSHANK. No, not precisely that way, Senator. Our position is this, that we think that a contribution out of general revenues is justified because of the broad public interest that there is in this program. Everybody benefits from it.

You see, there was a provision from 1939 to 1950, authorizing payments out of general revenues to the system; and in 1950, you will recall, that was taken out of the act.

Our position has been that since Congress has decided, made the policy decision, that this must be a self-financed and self-contained program, then our position is that it must be adequately financed and that we must support by taxes the amount necessary.

Senator CARLSON. That is all, Mr. Chairman.

Senator KERR (presiding). You generally support the entire bill?

Mr. CRUIKSHANK. Yes, sir.

Senator KERR. And you think that the workers generally support the bill?

Mr. CRUIKSHANK. Yes, sir. I believe they do. We base that on the record of the convention actions that have been taken both by our national convention and by a number of State and national and international unions that have passed resolutions supporting bills of this kind and objectives of this kind.

Of course, this particular bill, naturally, has not had the chance to be before a convention.

Senator KERR. And they pay as much additional tax as the employer?

Mr. CRUIKSHANK. Yes, sir.

Senator KERR. That is all.

Senator BENNETT. I am the one who this morning brought out the fact that the bill raised the overall cost ultimately to something like 9 percent of the total payroll.

Of course, this isn't the only program for the benefit of retired workers.

Do you have at your tongue's end an estimate of the percentage of payroll that is represented by a typical retirement program developed through collective bargaining by your organization?

Mr. CRUIKSHANK. No, sir; I do not. I do not have that.

Senator BENNETT. You are an authority on retirement and social security and you represent an organization that spends a lot of time working out the contracts for retiring programs, but that has not come to your attention?

Mr. CRUIKSHANK. It has, but I do not have it right at my fingertips, largely because I do not directly deal with the negotiated pension plan problem. We have made a study of that and I have that, and we do make recommendations to our local unions, but I have been, in my lifetime, in only two or three collective bargaining sessions negotiating that.

Senator BENNETT. Aren't the retirement benefits under negotiated retirement plans generally larger than the social security benefits?

Mr. CRUIKSHANK. Generally, I would say not, sir. I think they are generally smaller. A typical plan is smaller than social security.

Senator BENNETT. Can you guess by how much?

Mr. CRUIKSHANK. Well, a typical plan pays $70 or $80 or $90 a month to a retired worker.

Senator BENNETT. Half as much?
Mr. CRUIKSHANK. Well, that would be more than half.
Senator BENNETT. More than half?
Mr. CRUIKSHANK. Yes.
Senator BENNETT. If we took this ultimate figure of 9 percent—well, let us take the current figure of 6½ percent which this bill would set up, and a figure approximately equal to 60 percent of that, that is another 3½ percent of payroll, so we are looking at 10 percent right now, aren't we, before these additional increases come, and if the ultimate increase in social security is from 6½ to 9, maybe 4 percent, then we can say right now that the burden of the retirement, the cost of retirement, for men employed in industry where there are negotiated contracts, the cost on the industry is somewhere around 10 now and, probably, would be up to 14 or 15 over the next 10 years?
Mr. CRUIKSHANK. It might, but I do not believe that could be figured as a certainty because the pension plans that have been negotiated have to a very large extent been negotiated to meet deficiencies of social security.
Senator BENNETT. Yes, but you do not say the pension plan is only good for $70 a month and social security is good for $120 a month—you put the two of them together, and industry must bear them; that is right, isn't it—industry and the employees?
Mr. CRUIKSHANK. That is right.
Senator BENNETT. They are both charges against the wages of the employees?
Mr. CRUIKSHANK. Yes.
Senator BENNETT. So today, in effect, we have a burden for all industry that is covered by employee pension plans of somewhere in the neighborhood of 10 percent?
Mr. CRUIKSHANK. Yes, but I do not think that you can project that into the future and say necessarily that will continue on that percentage basis, because this is all a part of the wage cost, and when we negotiate the pension plan the decision that the employer and the employees make, in effect, is how much of the total wage are you allocating to this insurance for old age and how much are you allocating to an immediate take-home pay.
Senator BENNETT. Has it not been the pattern over the past years that the amount allocated to old age benefits has tended to increase rather than diminish in relation to the total wages?
Mr. CRUIKSHANK. Yes. That is true. But, also, the effect of increasing and improving social security has to a very definite degree slowed down the demands for higher pension plans. So, you see, what I want to avoid doing is just arbitrarily adding the two and saying, "Well now, we will do this much here, we have in the past done this much percentagewise in this category and, therefore, we are going to have the two."
If you improve social security, you will remove a good bit of the pressure for improving private pension plans.
Senator BENNETT. Having been on the other side of the bargaining table, I haven't observed any of that yet. I have made my point.
There is another point on which I would like to make a comment.
In talking to Senator Long, you made the very interesting point that there was a time when transportation was a negligible part of the

cost of an ordinary family. I can remember when a streetcar ride was a great treat. That has expanded. It has expanded not only absolutely, but it has expanded in terms of percentage.

The social-security system is now expanding, percentagewise.

There was the famous prizefighter who thought he had 1,000 percent of himself to sell, and proceeded to try and sell it. But, actually, you have only got 100 percent.

So, you cannot keep on expanding, percentagewise, both travel and social security and everything else without having to reduce some other phase of life to absorb it when you expand these at a faster rate—when you expand them percentagewise and thus expand them at a faster rate than the absolute income.

Mr. CRUIKSHANK. Of course, there is a limit somewhere. But, with our expanding productivity, there is a smaller percentage that must be allocated just to food, clothing, and shelter items, so that you do have an expanding percentage that you can have for transportation, better housing, better education for the young, better provision for the old, and all of those things. There is an expanding proposition. That slice of the pie is getting bigger.

Senator BENNETT. You are saying, then, that there are some things that are absolute, and when those are met——

Mr. CRUIKSHANK. They are fixed.

Senator BENNETT. They can be dropped off. I doubt that we have reached the point yet where there are very many important segments of the cost of our living which are shrinking; in other words, I think there is a little risk of expanding the social security, the retirement program, much faster than we expand the absolute income. Now, maybe we haven't reached the point where that break comes, but I think it has got to come.

That is all, Mr. Chairman.

Senator KERR. Senator Douglas.

Senator DOUGLAS. I would like to ask if I may—we don't have very much time left—is it your recommendation that we pass the bill sent over from the House?

Mr. CRUIKSHANK. That would be my recommendation; yes, sir.

Senator DOUGLAS. You would make improvements along what lines—along what lines have you suggested that improvements be made?

Mr. CRUIKSHANK. First, I would like to see an increase in that benefit up to 10 percent at the very least.

Senator DOUGLAS. For old age?

Mr. CRUIKSHANK. Yes.

Senator DOUGLAS. The increase in cost of living has been 8 percent; the increase in wages has been up to 12 percent.

Mr. CRUIKSHANK. On the grounds, also, that the benefit never was adequate, and that we want to reduce that margin of inadequacy, to some extent.

Senator DOUGLAS. Were you here this morning when I questioned the Actuary, Mr. Myers?

Mr. CRUIKSHANK. Yes.

Senator DOUGLAS. Is there the possibility that the plan is overfinanced?

Senator DOUGLAS. Under the proposed scales?

Mr. CRUIKSHANK. Yes, sir. I think that possibility arises largely from the fact that they do not include in their assumptions a rising wage.

Senator DOUGLAS. I would like to point that out. Did it, also, show that the high cost estimates are so extremely high, if finally adopted, that it would be overfinanced?

Mr. CRUIKSHANK. I think that is true.

I want to say, too, here, that I share the confidence that you expressed in Mr. Myers. We think he is a person of the highest integrity and of extraordinary competence. And I am very hesitant always to question his conclusions. I do, sometimes, raise questions about the assumptions, and I think it should be pointed out, too, that many of these assumptions are assumptions of an economic and social nature rather than strictly actuarial in the sense that we use actuarial when we are talking about private insurance plans, where it is pretty much a mortality rate which is a fixed and mathematical thing.

Furthermore, the further you get into the future the greater are these economic and social factors weighted, and I have said to Bob Myers, sometimes, when we were talking about the year 2020, "I do not have that kind of 20–20 vision."

Senator DOUGLAS. You heard the Secretary testify. He tried to avoid saying so, but I thought it was the conclusion that he was opposed to any increase in the formula which would result in additional Federal expenditures. Did you form the same conclusion?

Mr. CRUIKSHANK. Yes; I did.

Senator DOUGLAS. And he has proper concern for the Federal budget. Is there not, also, a human budget in this?

Mr. CRUIKSHANK. Yes, sir. It seems to us that, while I have a lot of admiration for the Secretary, whom I have known for many years, I think the Secretary said that this was a better system and a better formula, just as we say that this benefit formula in the old-age and survivors part is a better system.

But we are for improvements. And I think we are willing to pay for our improvements. And we think they should pay for theirs. If it is a better system, it will cost more money. It seems to me all taxpayers have to be prepared to pay more money for a better system.

Senator DOUGLAS. There are some 6 million recipients of the system in all forms. Do you think the sums paid are adequate for a minimum standard of living?

Mr. CRUIKSHANK. No, sir. Everyone of these special studies that has been made, like that in New York—they have made special studies of adequacy and what is the minimum budget for a retired couple and for families, and the Heller committee on the west coast has made similar studies—the Department of Labor has made studies of that kind—and these bare-subsistence budgets indicate we are not meeting anything like an adequate living budget for these people.

Senator DOUGLAS. Do you think we are meeting the biological budget?

Mr. CRUIKSHANK. There is indication that, in many cases, we are not, because of the high incidence of disease and distress among these people.

Senator DOUGLAS. These figures do not show up on the balance sheet. You cannot measure them in dollars, but isn't there a danger

that they may be ignored in the concentration upon money and money expenditure?

Mr. CRUIKSHANK. I think there is a very real need. I know, in talking to some social workers, that here is often what happens; that they will go into the needs of these people, medical needs, housing needs, and so forth, and when they all total up, as a minimum, then, because of the very shortage of funds, they have to apply an arbitrary percentage reduction on them. That reduction cannot be justified except in terms of the money available. It is not justified otherwise.

Senator DOUGLAS. Have you noticed the new formula for payment of medical care for those over 65?

Mr. CRUIKSHANK. Yes; I recall seeing it in there; yes.

Senator DOUGLAS. Do you think it is an improvement?

Mr. CRUIKSHANK. I think it is a definite improvement.

Senator DOUGLAS. I join in that because that is the formula I have been urging for some years. It has been opposed by Health, Education, and Welfare, although I didn't hear them object to it this morning, and I didn't want to rub it in, in their presence, but, apparently, they are in favor of it now after 2 years of struggle in which they showed the same alacrity as displayed on other subjects.

Mr. CRUIKSHANK. While this bill, sir, as I said, does not meet full objectives, I think that on analysis it meets the major areas of needs. It gives them a certain priority. For instance, the adding of the dependents' benefits for the disabled. And then the higher percentage gains in benefits for the widows and children. I think if any one of us were looking here how to allocate a welfare budget those would be the groups that would come to the mind of every one of us, as the ones, if there is a limited amount of money, that should get it first.

Senator DOUGLAS. I remember the very bitter battle that was fought within this committee and on the floor of the Senate on providing benefits for disability. The Senators from Louisiana and from Oklahoma and from Georgia, and the Senator from Illinois all struggled for these benefits for disability. We were told by the American Medical Association that this was impossible and wrong. We were told by the budget balancers that this is a very bad move, and so forth. It went into effect. I didn't hear the Health, Education, and Welfare people complain this morning about the system.

Mr. CRUIKSHANK. No; and I think, also, maybe as a happy accident that all of you involved in that struggle set up this separate fund. And because you did that, you can now get a clear allocation and know that we have some money for that.

Senator DOUGLAS. Isn't that fund solvent?

Mr. CRUIKSHANK. Oh, more than solvent; yes, sir.

Senator DOUGLAS. It is more than solvent—more than the claims?

Mr. CRUIKSHANK. Yes, sir.

Senator DOUGLAS. That is all, Mr. Chairman. Thank you.

Senator KERR. We thank you for your statement.

I am reminded what the Senator was talking about in that situation at the time, as I recall, there were not too many engaged or enlisted in the effort to get that amendment.

Mr. CRUIKSHANK. Correct, sir. And I remember that you were one of those who were very much involved in securing the protection for disabled.

Senator KERR. Thank you very much.
Mr. CRUIKSHANK. Thank you.
(The full statement of Mr. Cruikshank is as follows:)

STATEMENT OF NELSON H. CRUIKSHANK, DIRECTOR, DEPARTMENT OF SOCIAL SECURITY, AFL-CIO, IN SUPPORT OF H. R. 13549, THE SOCIAL SECURITY AMENDMENTS OF 1958

My name is Nelson H. Cruikshank, and I am director of the department of social security of the American Federation of Labor and Congress of Industrial Organizations. My office is at the headquarters of the AFL-CIO, 815 16th Street NW, Washington, D. C.

I am accompanied by Mr. Andrew J. Biemiller, director of the AFL-CIO legislative department. We are representing the AFL-CIO in support of the House-passed bill, H. R. 13549, a bill designed to improve benefits under, and to strengthen the financial structure of, the old-age survivors, and disability insurance system; to broaden and improve the Federal-State public assistance program and the maternal and child health and welfare programs.

We appreciate the opportunity to appear before this committee on this subject. We know that the time is short and we are glad to cooperate with the committee in its desire to hold the briefest possible hearings consistent with the committee's great responsibilities with respect to social security legislation.

The AFL-CIO had urged considerably more far-reaching and more liberal improvements in the entire system of social insurance than this bill provides. We had hoped that the Congress in this year of recession would amend the unemployment insurance provisions so as to provide a sounder and more equitable system to safeguard workers' incomes and the economy against the losses due to involuntary unemployment. We had also hoped that steps would be taken, at this time, to help meet the problem of the costs of hospital, surgical, and nursing-home care for the aged and other beneficiaries of the social security system. And with particular reference to the measure before you, we had hoped that the benefits for the retired and other beneficiaries would be increased by 10 percent, or at the very least 8 percent, so as to keep pace with the increase in living costs since the last benefit increase 4 years ago.

We had also hoped for the adoption of some other improvements, which are minor, relative to the whole program, but which are of real significance to a great many individuals who look to social security in their years of retirement, or as the major defense against disaster for their families. Among these was our long-sought goal of including tips in creditable wages. For many persons in service trades, the wage paid directly by their employers represents but a small part of their actual earnings. They are required to pay income tax on all their earnings but can credit only the small portion for social security benefits. We are confident the Congress will wish to correct this situation.

Despite the failure of H. R. 13549 to meet many of the crucial needs of the working people, it is the position of the AFL-CIO that there is enough of substantial benefit in the measure to merit support. It is probably the best measure that can be enacted in the short time remaining before the adjournment of the 85th Congress and it is our hope, and we are sure the hope of millions of social security beneficiaries, that the Senate will act upon it favorably.

The bill contains many technical and minor amendments. In none of these do we find anything that endangers the program or departs from long-established and sound principles. The major provisions on which we shall present our reasons for supporting it are:

1. The increase in benefits under the OASDI program.
2. The financing provisions.
3. The improvement of the public assistance program.
4. The improvement in the maternal and child welfare programs.

INCREASE IN BENEFITS

Recent economic developments have intensified the problems of the aged, and other beneficiaries. The Consumer Price Index has risen by 8 percent since 1954, when the last benefit improvements were enacted. Prices are likely to continue high even though economic recovery may be slow.

With substantial unemployment, older workers have difficulty retaining or finding jobs. Many persons who are approaching retirement age are without work or earning less than they expected. Their future benefits will be reduced accordingly unless improvements are enacted.

Aged persons who have been receiving some financial assistance from their families now find that sons and daughters are working only part time, or are completely unemployed. Public and private assistance agencies are having increasing difficulty meeting the needs of persons who turn to them for aid.

The growth of private insurance protection has been slowed as unions find it more difficult to bargain for continued expansion of collective bargaining plans. When older workers are laid off, their private insurance protection often lapses and no substitute is available.

Examples of increases in benefits provided in H. R. 13549

Individuals now on the benefit rolls and all future beneficiaries would have their benefits increased by, at least, about 7 percent. The percentage increases, however, are higher with respect to the minimum and with respect to the survivors of workers who die if their earnings have been in the higher brackets, or if there are a greater number of surviving members of the worker's family. Also, the retirement and survivors' benefits are increased considerably beyond 7 percent for workers who retire in future years and for their dependents who become eligible for benefits in future years.

The following table gives some illustrative monthly benefit amounts under the present law, compared to the benefits proposed in the bill, for people who have already retired or who retire within the next year.

TABLE I

Average monthly earnings (after 1950 and dropping out low 5 years)	Single worker aged 65 or disabled after age 50		Worker and wife both aged 65	
	Present law	Bill	Present law	Bill
$50	$30.00	$33.00	$45.00	$49.50
$100	55.00	60.00	82.60	88.50
$150	68.50	73.00	102.80	109.50
$200	78.50	84.00	117.80	126.00
$250	88.50	95.00	132.80	142.50
$300	98.50	105.00	147.80	157.50
$350	108.50	116.00	162.80	174.00
$400 and above	108.50	116.00	162.80	174.00

Additional increase in benefits will result to workers who retire in future years and who consistently have been employed at the higher wage levels in addition to the, roughly, 7 percent increase in benefits available to all retirees. Assuming that the bill is passed this month, the worker retiring at this time would receive the top primary benefit of $108.50 per month for August, September, and October—assuming also that he had earned regularly $400 or more per month. Beginning in November, his monthly benefit would be increased to $116. If his wife were also 65, the benefit for the couple would increase from $162.80 per month to $174.

The increase in the annual creditable earnings from $4,200 to $4,800 would affect the average monthly earnings on which future benefits are computed only gradually for workers in the upper wage brackets. In most cases, such workers will still have to apply the years of 1951 to 1955 to the dropout. In these years earnings only up to $3,600 and $4,200 were creditable. However, as will be noted from table II, the larger portion of the increase becomes effective within the next few years. While it will be 40 years before the full effect of the higher wage base is reflected in benefits for most workers, it is to be noted that half of the increase is effective within the next 5 years, and three-fourths of it within the next 10 years.

Table II shows the benefits for which a worker who has earned regularly $400 or more per month will be eligible, retiring at the end of the calendar year indicated. It also lists the benefits for retired man and wife, assuming both are age 65. There would, of course, be applied the actuarial reduction for the wife's benefit if she should retire at any earlier age, after age 62.

TABLE II

Year	Primary benefit center	Benefit for man and wife both age 65	Year	Primary benefit	Benefit for man and wife both age 65
1959	$119	$177.50	1970	$125	$187.50
1960	120	180.00	1975	125	187.50
1961	121	181.50	1980	126	189.00
1962	122	183.00	1985	126	189.00
1963	123	184.50	1990	126	189.00
1964	123	184.50	1995	126	189.00
1965	124	186.00	2000	127	190.50

The increases in primary benefits for workers in the higher wage brackets are, of course, also reflected in improved benefits for survivors of insured workers who die. Table III gives illustrative monthly benefits for survivors of insured workers with average earnings of $400 or more per month who die in 1959 or after. It will be noted that the increase in the maximum amount payable to a surviving family, from $200 a month to $254 a month as provided in the bill, is reflected at an earlier date for survivors than at the time the maximum amount for retiring workers becomes effective.

TABLE III

Assuming survivors become eligible at end of calendar year	Widow aged 62 or over (no children)		Widow and 1 child under 18		Widow and 2 children under 18	
	Present	Bill	Present	Bill	Present	Bill
1959	$81.40	$89.80	$162.80	$178.50	$200	$238.20
1960	81.40	90.00	162.80	180.00	200	240.00
1961	81.40	90.80	162.80	181.50	200	242.20
1962	81.40	91.50	162.80	183.00	200	244.10
1963	81.40	92.30	162.80	184.50	200	246.10
1964	81.40	92.30	162.80	184.50	200	246.10
1965	81.40	93.00	162.80	186.00	200	250.00
1970	81.40	93.80	162.80	187.50	200	254.00
1980	81.40	94.50	162.80	189.00	200	254.00
1990	81.40	94.50	162.80	189.00	200	254.00
2000	81.40	95.30	162.80	190.50	200	254.00

The above table shows the amount for the survivors of a high-earnings worker, leaving a widow and two children. If such a worker died and left a widow and 3 children, all under 18, the new maximum amount of $254 per month would be payable immediately. It is also to be noted that there is added protection in this bill for the family of a younger worker who dies. Since no wages before age 22 are to be included in the computation of the average monthly wage, a young man now age 27, for example, who had been earning regularly $400 per month—if he should die in the early part of 1959—would leave his family immediately eligible for the maximum of $254 a month since his average wage would be computed on only the recent years of employment.

We believe that these provisions go in the direction of maintaining a wage-related benefit system. This relationship has been consistently a characteristic of our social-insurance system and one which, we believe, commends it strongly to the American public. With due modifications of the formula to give increased benefits to those in the very lowest earning brackets, the keeping of benefits in a direct relationship to the earnings on which taxes have been paid is consistent with the concepts of our free-enterprise system.

Additional benefits for disabled

We are in full accord with the provisions of this bill that provide additional protection to the permanently and totally disabled. When the disability provisions of the program were adopted 2 years ago, it was generally agreed that it was a minimum program, to be conducted partly on an experimental basis. The establishment of a separate fund for this program has proved a wise and sound procedure. The condition of the fund now, and the experience that has been acquired in administering the program, make it possible to broaden the pro-

tection provided. H. R. 13549 does this in two respects. It provides benefits for the dependents of disabled workers, and removes the requirement that the benefit to the disabled be reduced by the amount of any benefit payable on account of disability under other Federal programs or State workmen's-compensation systems. Both these provisions are consistent with the purpose of the social-security system to provide the basic protection against loss of income due to disabling illness.

Advisory Council

Spokesmen for the administration have expressed the view that the existence of the Advisory Council on Social Security Financing is a sufficient reason for avoiding benefit improvements this year. As a member of that Advisory Council, I strongly take issue with this conclusion. The Council, as its name, its legislative mandate, and all its activities indicate, is concerned with financing, not with benefits. It is not authorized and has not been asked to consider whether the system can afford higher benefits or whether higher benefits are desirable.

This Council, like others to be appointed prior to future scheduled increases in contribution rates, is established "for the purpose of reviewing the status of the Federal old-age and survivors insurance trust fund and of the Federal disability insurance trust fund in relation to the long-term commitments of the old-age, survivors, and disability insurance program." There is no evidence that the Congress intended to await recommendations from such councils before considering benefit improvements. To do so would be to distort the objectives of the councils. The present Council will be in at least as good a position to make pertinent recommendations on financing if contemplated benefit changes have already been enacted, rather than being imminent but undetermined.

The present Council was not asked to prepare a preliminary report before fall, according to my recollection nor according to the official minutes of the meetings. If the Secretary had wished earlier action, he could have officially requested it or he could have appointed the Council many months earlier.

Advisory councils broadly representative of different segments of the community have in the past played a constructive role in the development of our social-security program. In fact, the system was conceived in the group of citizens' advisory councils that were appointed to assist the Committee on Economic Security appointed by President Roosevelt 24 years ago. The tripartite advisory councils of 1938, 1947–48, and 1953 made positive recommendations for broadening and improving the program, many of which were reflected in the amendments adopted by the Congress.

However, each Congress since the 74th has made some amendments to the Social Security Act, and in 1952 and in 1956 Congress made substantial improvements in the program without calling for suggestions from an advisory council. In 1954, amendments were adopted providing for a higher earnings ceiling and benefit improvements, although the 1953 advisory group had been consutled only on coverage.

The suggestion that no action be taken until the Council reports distorts the purpose of advisory councils. In the past, they have made recommendations for improvements in the program. Now the existence of an advisory council is offered as a reason for delaying improvements. In our opinion, neither the existence of the Advisory Council on Financing nor past precedents justify delay in improving the program.

PROVISIONS FOR FINANCING

The bill contains two major provisions for improving the financial structure of the social-security system. The first raises the limit on annual taxable earnings from $4,200 to $4,800. The second increases the rate of contributions and steps up the schedule of future rate increases. The increase in revenue resulting from these provisions is calculated to be sufficient to pay for all the improvements in benefits and to reduce the reported long-term, actuarial deficit.

When this measure was reported to the House, AFL–CIO President George Meany made public a statement which included the following expression of support of the financing provisions:

"Organized labor has consistently supported the sound, long-term financing of the social-security system. We know that improved benefits require higher contributions. We don't believe in raiding the trust fund for an immediate ad-

vantage to those now retired, or soon to retire, as the difference would have to be made up in future years. If the social-security system now shows an actuarial deficit, the workers of this country stand ready, as they always have, to pay their share of the cost of the deficit, as well as the cost of the improved benefits."

IMPROVEMENTS IN PUBLIC ASSISTANCE

The recession has increased substantially the number of persons who are exhausting their private resources and who must turn to public aid. The rise is partly reflected in the official figures. The number of general-assistance cases rose by 43 percent from March 1957 to March 1958; 1,310,000 persons received general assistance in March as compared with 855,000 the year before.

Information on problems of needy persons is scattered. The same is true in regard to reports on the actual programs of States in the field of general assistance. So far as we have been able to ascertain, about half of the States, under their general-assistance programs, do not ordinarily provide any assistance to employable persons or their families. In addition, 16 States make no contribution to the financing of general assistance. In some others, State financing is negligible in amount.

States and localities are finding it more and more difficult to provide the funds to add new cases or to provide adequate payments to persons accepted. Prices have keept rising, especially for food and medical care. In practice, many public-assistance agencies find they cannot even make available to their clients the minimum budgets which, theoretically, are essential for decent living conditions.

The following were the average monthly payments in April 1958:

Old-age assistance	$61.24
Aid to dependent children:	
Per family	102.55
Per recipient	27.33
Aid to the blind	66.65
Aid to permanently and totally disabled	60.61
General assistance (per case)	61.12

These are monthly amounts. Divide them by 4⅓ to get weekly amounts, and one finds they range from about $6 (aid to dependent child) to $15 (aid to the blind).

We do not know what other income these people may have—this is one of the gaps in information which is partly being overcome by current or projected studies.

The Wall Street Journal on June 4, 1958, contained a first-page story by a staff reporter on recent developments under the heading: "Welfare Woe: Slump Floods Social Agencies With Work; Inflow of Funds Lags." Specific cases were cited of mounting applications and of decreased donations from which to meet essential demands.

Other reports, too, have described the difficulties of localities in meeting growing caseloads and the emotional impact of growing economic uncertainty on many families. Spokesmen for welfare administrators have indicated that present payments are, often, grossly inadequate.

We regret that the Eisenhower administration is opposing Federal action to broaden public assistance at this time or to adopt changes that would cost more money. Coupled with administration opposition to more adequate social insurance, this stand reflects deplorable indifference to human needs. The aged who cannot buy voluntary health insurance are told that they can turn to public assistance but, if they do, available programs and funds will, frequently, prove inadequate.

Certainly, sufficient evidence is available to show that substantial additional funds are required. H. R. 13549 not only authorizes increased amounts for grants to States for public assistance, but materially improves the method for allocating the grants, taking into account the needs of the various States balanced by their ability to pay.

The proposals of this measure also give the State agencies more latitude in meeting the needs of individuals and families by basing the Federal share of the cost on the overall average of all cases rather than on the individual case.

Both of these provisions appear to the AFL-CIO as sound, from the view of social need and of efficient administration.

IMPROVING THE MATERNAL AND CHILD WELFARE PROGRAMS

Our labor organizations have for many years supported more generous Federal programs of the type administered by the United States Children's Bureau. The AFL–CIO, at its merger convention in 1955, unanimously adopted a resolution stating:

"We urge expansion of the programs providing maternal and child-health services and special welfare services for children, including aid to crippled children. We support expansion of research and education in child life which will help parents understand better what makes for healthy, happy childhood.

"The problems of juvenile delinquency can be met better, also, by expanded programs to improve procedures for identifying and aiding maladjusted children and to handle constructively those who get into trouble with the law. These programs should be given full support by our affiliated unions."

We fully support the provisions of H. R. 13549 amending title V of the Social Security Act so that the United States Children's Bureau, in cooperation with State and local agencies, may expand and improve its services. These changes present us an opportunity to invest in the children of our Nation in a manner that will increase their future productivity as well as their health.

The present authorization for maternal and child-health services under part 1 of title V is $10,500,000. The bill would increase this to $21.5 million.

We similarly support the rise in the authorization for services for crippled children under part 2 from $15 million to $20 million.

The present authorization for child-welfare services under part 3 is $12 million. The bill would raise this to $17 million. At present, the use of Federal funds for child-welfare services is limited to predominantly rural areas. This provision has been useful in extending such services into areas where they were most needed. However, 3 out of 5 children in the Nation now live in urban areas. Many families have shifted in the last decade from farms and small towns to cities where services have not expanded to meet their needs. We, therefore, approve the amendment to part 3 to make child-welfare services generally available, not only in rural areas but also in urban areas.

If we are to diminish the load on public assistance and reduce the number of low-income families to a minimum, we must afford all children an opportunity to grow up with sturdy bodies and a healthy mental approach to life. For those who are handicapped by physical or environmental conditions, we must open wider the door of opportunity so that they too may share in American prosperity.

CONCLUSION

The enactment of H. R. 13549 would provide substantial, immediate improvement in the economic security of wage earners and their families, to the millions who have retired because of age, to the disabled, and to the families with dependent children. Time is short. Want and hunger will not wait. The improvements contained in this bill are so designed as not to do damage to our social insurance system, nor to place disproportionate burdens on workers and in the future. More substantial changes in the program, which in our view are worthy and practical, must wait for a future Congress. We respectfully urge the enactment of this bill now.

Senator KERR. The next witness is Esther Peterson, legislative representative, industrial union department, AFL–CIO.

STATEMENT OF MRS. ESTHER PETERSON, LEGISLATIVE REPRESENTATIVE, INDUSTRIAL UNION DEPARTMENT; ACCOMPANIED BY LEE G. WILLIAMS, LEGISLATIVE CONSULTANT, SOCIAL SECURITY DEPARTMENT, AFL–CIO

Mrs. PETERSON. My name is Esther Peterson. I am legislative representative of the industrial union department of the AFL–CIO.

I have with me Mr. Lee G. Williams, who is consultant to the industrial department.

This autonomous department represents and speaks for 7 million industrial workers who are members of the 69 unions affiliated with the department.

I want to say at this time we concur completely in the testimony that has just been presented by Mr. Cruikshank.

I thank the committee for giving me this opportunity to express the views of the industrial union department on the Social Security Amendments of 1958 as passed by the House of Representatives.

Senator KERR. May I interrupt right there. The difference between your viewpoint and that of the Secretary was that although it goes too far, he thinks that it is all right to pass it. While, on the other hand, you are convinced while it does not go far enough you urge its passage?

Mrs. PETERSON. Correct. You are phrasing it very well.

Certainly we support H. R. 13549. Although it does not include many badly needed Social Security Act improvements, we, nevertheless, sincerely urge the committee to report the bill as promptly as it is possible to do so. Were the time not so short, we should plead for improvement of the bill.

We should ask that it be broadened in scope. We should insist, as our director, Mr. Albert Whitehouse, insisted before the House Ways and Means Committee on June 25 of this year, that:

> There is a need to move forward in the whole area of social security legislation * * * The Nation has paused too long in the march toward greater security for its citizens.

But the session is almost over and the help afforded harassed millions by H. R. 13549 must not be denied them. The recession is still with us. Unemployment and underemployment are still widespread. The suffering is real. And enactment of the bill will furnish a measure of relief to millions of our senior citizens.

These millions will be grateful to Congress for the speedy enactment of H. R. 13549. To deny these millions the gains represented in the present bill would be little short of a crime committed against those who cannot help themselves.

We approve the bill's increases in benefits and earnings base of the old age, survivors, and disability insurance program. We approve the extensions made in OASDI coverage and the provisions for benefits for dependents, the financing plan, the public assistance program improvements and the increase in maternal and child welfare program financing. All of these aspects of the bill are in line with labor's historical position.

Everything the bill does, needs to be done—and it needs to be done now. But we agree with the Ways and Means Committee:

> Your committee has not been able to recommend benefits at as high a level as, in our opion, would be justified if one considered solely the need for this protection. The increase of approximately 7 percent provided by the bill is actually somwhat short of the rise in the cost of living that has taken place since 1954.

That is in House Report No. 2288, page 2.

Not since 1954 have the benefit structure and the contribution schedule of the old-age and survivors insurance program been revised.

Senator KERR. Did not Mr. Myers in response to a question from Senator Bennett say that we had a revision in 1956?

Mrs. PETERSON. I think that is correct. May I ask Mr. Williams if that is correct?

Mr. WILLIAMS. The rates have not been revised since that time.

Senator KERR. They have not?

Mr. WILLIAMS. I think that is a correct statement.

Senator KERR. It has not been revised since 1954?

Mr. WILLIAMS. That is right.

Senator KERR. Then—I am sorry he has gone—but the concern he had on the basis of the records of its having been done every 2 years is but half as serious as he had contemplated?

Mr. WILLIAMS. It is possible to put that interpretation on it. However, there was a change in the Social Security Act but not on these two points. That is my understanding.

Senator KERR. Well, maybe it was more than half.

Mrs. PETERSON. H. R. 13549 represents a recognition by the House Ways and Means Committee and the House of Representatives itself on the validity of the position taken by the industrial union department, the AFL–CIO and others on the need for improvements in the OASDI, public assistance and maternal and child welfare programs. For this response we are grateful.

But we shall continue to urge, at each opportunity in the future, that there is great need for further improvement in social security. We shall continue our earnest advocacy of legislation accomplishing permanent improvement of our unemployment insurance system as opposed to legislation such as the Temporary Unemployment Compensation Act adopted this year.

We shall continue to urge legislation designed to provide hospitalization, nursing and surgical care in old age, legislation which will in some measure alleviate the great fear of illness which plagues the old person who knows that he cannot pay for the steadily increasing cost of medical care. We shall continue to urge abolition of the "means" tests and of the residence and citizenship requirements now used in several States to deny relief to the needy.

In brief, we in the industrial union department shall continue our efforts toward the achievement of all of those changes in the social security program designed to eliminate poverty, want, deprivation and needless suffering on the part of our citizens.

I have made my statement brief. I trust that the committee will recognize this brevity as a true reflection of industrial labor's desire to do nothing that will delay the committee in reporting the pending bill. We urge prompt enactment of H. R. 13549 as a forward step in a humanitarian field.

After my statement was prepared, my attention was called to the fact that though the industrial union department AFL–CIO offered testimony before the Subcommittee on Legal and Monetary Affairs, House Committee on Government Operations on June 24 of this year in support of an exemption of unemployment compensation payments from Federal tax levies, that provision should be repeated here.

The department support section 406 of H. R. 13549 which spells out this exemption.

I thank you for your kindness in letting us come today and I deeply hope that your committee will act with the courage and the swiftness that the times call for.

Senator KERR. Thank you very much, Mrs. Peterson.

Mrs. PETERSON. Thank you.

Senator KERR. Next is Mr. Reuben F. Johnson, National Farmers Union.

STATEMENT OF REUBEN F. JOHNSON, REPRESENTING THE NATIONAL FARMERS UNION

Mr. JOHNSON. Mr. Chairman and members of the committee, we appreciate the opportunity to appear before the Senate Finance Committee for two reasons. First, we welcome the opportunity to express our support of the social security program generally and to explain our position concerning its expansion on a realistic and practical basis. Second, and more importantly, it gives us the opportunity to express our gratitude and appreciation for the support the committee has given to the program.

The line of questioning this morning was favorable to us, the questioning on the part of the majority of the committee.

Looking back to the early years in the formulation of the old age and survivors insurance program, we recall opposition which has almost completely made the transition over to support of the program. In a very real sense, it is a tribute to this committee and its counterpart on the House side that the principle of old-age insurance has been accepted by almost everybody, even one-time strong opponents.

We need not remind you that working people in the United States have always supported you in this and other programs under the Social Security Act and, of course, that has been the strength of the position of Farmers Union as our witnesses have appeared before this committee on many occasions on various programs authorized under the Social Security Act.

Old age and survivors insurance: While Farmers Union support for the OASI program goes back to the time of its inception, its first application to a farm group was as late as 1950.

Following President Truman's recommendation of universal coverage in 1949, the 81st Congress extended the old age and survivors insurance program to regularly employed farmworkers. That same year levels of OASI benefits were revised and tax rates adjusted to strengthen and preserve the long-standing insurance principle under which the program has operated since its inception and which Farmers Union strongly urges be preserved. It is important that additional benefits and expansion of the program be kept on an actuarially sound basis.

In behalf of farm families in the United States, we want to commend the national and field staff of the Social Security Administration for their efforts in explaining to farm families application of the OASI program and the long hours they have worked in bringing eligible members under the farm program. A most important aspect of their work has been in selling the program.

We would like to thank, also, others involved in this effort, county agricultural agents and so forth who have worked in large part through local units of all three of the general farm organizations.

In order that the committee may have all of the time that it needs, to act on H. R. 13549, I respectfully request that my complete statement appear in the record at the end of my oral remarks.

Senator KERR. That will be done.

Mr. JOHNSON. The bill passed by the House does not meet all of the specifications we have outlined in our statement. We invite your

consideration of our views. We feel, however, that H. R. 13549 does move in the direction of improving existing law, and it is on this basis that we support it.

Senator KERR. Thank you very much, Mr. Johnson.

(The complete statement referred to is as follows:)

STATEMENT OF NATIONAL FARMERS UNION RE EXPANSION OF SOCIAL SECURITY BENEFITS

Mr. Chairman and members of the committee, we appreciate the opportunity to appear before the Senate Finance Committee for two reasons. First, we welcome the opportunity to express our support of the social security program generally and to explain our position concerning its expansion on a realistic and practical basis. Second, and more importantly, it gives us the opportunity to express our gratitude and appreciation for the support the committee has given to the program.

Looking back to the early years in the formulation of the old-age and survivors insurance program, we recall opposition which has almost completely made the transition over to support of the program. In a very real sense, it is a tribute to this committee and its counterpart on the House side that the principle of old-age insurance has been accepted by almost everybody, even one-time strong opponents. We need not remind you that working people in the United States have always supported you in this and other programs under the Social Security Act and, of course, that has been the strength of the position of Farmers Union as our witnesses have appeared before this committee on many occasions on various programs authorized under the Social Security Act.

OLD AGE AND SURVIVORS INSURANCE

While Farmers Union support for the OASI program goes back to the time of its inception, its first application to a farm group was as late as 1950. Following President Truman's recommendation of universal coverage in 1949, the 81st Congress extended the old-age and survivors insurance program to regularly employed farm workers. That same year levels of OASI benefits were revised and tax rates adjusted to strengthen and preserve the long-standing insurance principle under which the program has operated since its inception and which Farmers Union strongly urges be preserved. It is important that additional benefits and expansion of the program be kept on an actuarially sound basis.

The principle was preserved in the extension of the old-age and survivors insurance program to self-employed farmers in 1954 by the 83d Congress. This committee approved this extension of the Social Security Act, in spite of opposition of a contemporary farm organization which today has moderated its position so as only to oppose any further liberalization of old-age and survivors insurance benefits.

We extend to the members of this committee our sincere support and appreciation for the work it has done to give self-employed farmers and their full-time employees some measure of security in their old age. We hope that you will continue to be farsighted when it comes to improving and extending this worthy program.

For the record, in behalf of farm families in the United States, we want to commend the national and field staff of the Social Security Administration for their efforts in explaining to farm families application of the OASI program and the long hours they have worked in bringing eligible members of farm families under the program. A most important aspect of their work has been in telling the story of the program. Included in this effort, also, have been teachers of vocational agriculture and county agricultural agents, who have worked in large part through local units of all three of the general farm organizations.

IMPROVE AND EXPAND OASI BENEFITS

There are so many bills before the committee which improve the OASI program that we have not had time to analyze all of them. Therefore, we shall forego supporting any specific bills, giving attention instead to the various proposals which we support. All of these proposals we believe to be in bills introduced either in the Senate or the House of Representatives.

1. Surgical and hospitalization benefits

We urge that, under the insurance principle, the Social Security Act be amended so as to provide recipients of OASI benefits, including the disabled, with hospitalization and surgical benefits. The costs of such services are such that our aged and disabled living on OASI benefits are unable to pay for such health services. According to a publication of the Labor Department, Medical Care, by Elisabeth A. Langford, the cost of medical care was 85 percent higher in December 1956 than 20 years earlier, with two-thirds of the rise having occurred in the last 10 years. Over the 20-year period ending in December 1956, hospital room rates have increased 265 percent. Moreover, the expenditure per family for medical care has increased. According to the Labor Department publication referred to above, after adjustment for price increases, the expenditure per family for medical care in 1950 was nearly 2½ times as much as in 1934–36, even though family size was smaller.

This amendment to the Social Security Act is essential if we are to provide necessary health services to our aged and disabled. Having made important medical advances through research, we must provide for their practical use in ministering to those who need them the most.

2. Penalty on earnings

We believe that the present limit on earnings for recipients of OASI should be lifted from $1,200 to $1,800 before any penalty on OASI benefits is inflicted, and urge the committee to approve such an amendment.

3. Increase OASI benefits

We recommend an increase in OASI benefits for all persons covered, with the largest percentage increases in the smallest payments. As a minimum, we urge increases as follows:

Smallest payment, now $30, increased to $35.

Largest payment (single person) now $108.50, up to $121.

Largest payment (married couple) now $162.75, up to $181.05.

As a first priority, we favor committee action to increase OASI payments. When this is accomplished, we shall also support increasing the wage base from its present $4,200 annually to $7,000 annually.

4. Full OASI benefits for women at age 62

Women now must take reduced benefits if they apply at age 62. We urge that the committee approve an amendment making possible full benefits at that age.

5. Computing OASI benefits for farmers

Under the Social Security Act, as amended, farmers are permitted to exclude 5 years of lowest earnings. However, with coverage beginning January 1, 1955, a farmer retiring this year, for example, has only 3 years of earnings on which to compute his OASI benefits. The Social Security Administration has permitted dropping 1 of the 3 years, the lowest, and has computed OASI benefits on the remaining 2 years. As farmers become covered for periods in excess of 5 years, this provision of present law will operate satisfactorily. But farmers retiring after 3 years of coverage, and prior to the time when the present provision of law will apply fairly, will continue to be penalized in computing OASI benefits.

To correct the inequity we urge that the committee approve an amendment to give farmers the same basis for calculating OASI benefits as others covered. Specifically, we urge that you provide that farmers be forgiven their 5 years of lowest earnings, allowing them to go as far back as 1950 in establishing their base for computing OASI benefits.

Farmers' total net income has dropped from $16 billion in 1951 to $12.1 billion in 1957, or 25 percent. Per family incomes, in 1957 dollars, have dropped from $3,097 to $2,490 over the same period, a reduction of 20 percent. These figures indicate the extent to which farmers are penalized in computing OASI benefits. We urge that you take action to correct the inequity that continues to arise out of using as a base, years in which farmers had sharply lower incomes, due to the Eisenhower-Benson sliding scale.

6. Remove age limitation on disability benefits

We do not believe that there should be any age limit on disability benefits provided for eligible persons under the insurance principle of the OASI program. We believe, in this connection, that provisions of existing law covering benefits to dependents of disabled persons should be amended to provide that benefits be

based on number of dependents and that such additional benefits be paid at the time of disability of the head of the family.

In keeping with our support of maintaining the old age and survivors insurance program on an actuarially sound basis, we support increases in individual and employer payments commensurate with the expansion of benefits.

The ultimate solution of economic problems of farm families and in providing a secure old age is the achievement of an income that will allow them to participate fully in the OASI program and which, in addition, will permit adequate private savings and investment. The decline in farm income in recent years has been reflected, for example, in farmers' purchases of insurance. Farm people constituted 13.8 percent of the population in 1955, but then purchased only 2 percent of the life-insurance policies sold. While in the United States as a whole some 70 percent of the citizenry is covered by life insurance, only about 50 percent of the farm population is covered. In Iowa, a recent survey showed that 25 percent of the farm families queried possessed no life insurance and 22.5 percent were covered by less than $2,000. Until farm income permits an expenditure of $250 or more per year for life insurance providing endowment at maturity and covering the working years of the family concerned, there is no hope of any appreciable contribution toward solving the problem of security past retirement age by family effort alone. Thus the need for adequate OASI benefits is of great urgency for farm families. The survivor benefits provided in the event of the death of the family bread winner are an important part of the OASI program.

The average age of farm operators in the United States is 49.6. It has increased rapidly in recent years, and as a result, the need of farm people for an improved expanded OASI program has become more and more compelling.

Farmers retiring under the OASI program are finding it difficult to live on the benefits derived from this program. In many instances private savings, if any, have been exhausted in educating children and in getting through recent lean years since 1951, when, as we have indicated, farm income dropped one-fourth.

There continues to be the problem, also, of the increasing cost of living without commensurate increases in the OASI benefits. We urge that the committee request appropriate agencies to study this situation and make recommendations for the solution of the problem. It is becoming increasingly clear that there is a need for legislation to provide for automatic changes in OASI benefits and tax rates, to be made on up and down shifts in the cost of living. Such a study, however, should not interfere with the proposals we have made for improving and expanding the OASI program which you are already considering as a result of the many bills before the committee.

UNEMPLOYMENT

Farmers Union strongly supports establishment of Federal programs to help develop solutions to unemployment in cities and urban areas. Just as is the case with farm families, the OASI program does not help those in cities who cannot make the best use of it. Broadening the economic opportunities of citizens in chronically depressed urban industrial and mining areas must come before the fullest benefits of the OASI program can be realized.

Farmers Union believes that the interests of farmers and working people in cities are closely interrelated and we support legislation to maintain fully adequate purchasing power among workers during periods of unemployment.

TITLES I, IV, V, X, OF SOCIAL SECURITY ACT

Respecting the above titles, Farmers Union is fully in support of Federal participation in the grant-in-aid public assistance programs carried on with the States. We urge additional Federal contributions to the States for expanding the benefits to recipients of this assistance. Farmers Union supports additional dollar benefits for these programs whose beneficiaries have too little purchasing power in many instances to buy the bare necessities of life.

There is an immediate urgency for increasing old-age benefits.

Moreover, we support the institution of a food stamp plan under which those declared eligible by appropriate State agencies and the Federal agency administering the program would be assured an adequate diet. Such legislation was recently reported by the House Agriculture Committee. The main hindrance

to such a program for recipients of public assistance and other needy persons continues to be the opposition of the administration. We urge members of this committee to support the Sullivan bill reported by the House Agriculture Committee and to support similar legislation introduced this side of the Congress in the interest of consumers.

Farmers' interests will not be directly affected by such a program. But, in effect, its enactment will permit stepping up food consumption among the needy persons in the United States and, to the extent it does provide an additional outlet for farmers' produce, farmers' interests will be served. We feel that the interest of needy persons is the justification for the program and our support is based on such need.

We believe also that the operation of the food stamp plan through existing channels of trade (processor, wholesale, and retail) will have a stimulating effect upon the economy in this period of recession.

I appreciate the opportunity to appear before the committee and pledge support of the Farmers Union for improvement in and expansion of benefits under the entire program encompassed by the Social Security Act, as amended.

Senator KERR. Mr. Townsend.

STATEMENT OF ROBERT C. TOWNSEND, TREASURER, THE TOWNSEND PLAN FOR NATIONAL INSURANCE, ACCOMPANIED BY JOHN DOYLE ELLIOTT, ACTUARY

Mr. TOWNSEND. Mr. Chairman, I am Robert C. Townsend, treasurer of the Townsend Plan for National Insurance, and my associate this afternoon is Mr. John Doyle Elliott, actuary.

I speak today on behalf of that segment of our population which is most vitally concerned and most directly touched by the legislation this committee now has under consideration. I refer to our senior citizens, many of whom are affiliated with the organization I have the honor of representing.

My purpose is to urge this committee to view, if it can, this whole matter of social security through the eyes of the people most intimately affected, and I think you will agree that these include first and foremost those already retired and the substantial number who plan retirement in the near or immediate future.

I think, gentlemen, that on the whole these people take a somewhat dimmer view of H. R. 13549, the recently passed House bill, than do others for whom retirement is a vague and far-in-the-future prospect.

The matter of the modest increase in benefits is a case in point. Perhaps some economists and statisticians honestly regard a 7-percent increase with a minimum of $3 as a realistic, and even rather generous, concession to the retired aged.

But let us appraise matters from the viewpoint of the recipient. If he is given the minimum, he will find himself with exactly 10 cents a day more than he now has. His weekly increase will amount to 70 cents. Yet you and I know that 10 cents is about half the amount needed to buy a loaf of bread, and a housewife would be hard put to serve even an economy dinner for as little as 70 cents.

The point is abundantly clear. The benefit increases contemplated in H. R. 13549 are absurd. They add virtually nothing to either the purchasing power or the well-being of the retired men and women who, in too many instances, have no source of income other than their meager social-security checks.

We do not deny that there are some merits in the House bill. Certainly, the clauses which liberalize benefits for orphans are to be

applauded. The provision to increase from $80 to $100 the monthly amount which would occasion the loss of a benefit is long overdue, and should be approved. The increase in family benefits represents a progressive step. The House deserves full credit for incorporating these features, and I am sure I speak for the majority of our older people when I say that they will thank the Senate, too, for insisting upon these desirable improvements.

But these are minor matters, and, in a sense, it is fruitless to praise a small part of a bill without considering the whole. The whole, gentlemen—the bill taken as a whole—is poor legislation.

Two basic changes are ignored in H. R. 13549.

One concerns the increase in benefits, which I already have touched upon. I would at this point add only these further observations:

It seems to me that the elderly voter will find it difficult to reconcile his 7-percent increase with the 10-percent increase in civil-service salaries and civil-service retirement benefits authorized by the 85th Congress.

Since the latter were represented as cost-of-living adjustments, the retired on social security must logically wonder why their adjustment should be 3 percent less. The senior citizen must ponder the obvious fact that the prices he is charged for goods and services are the same as the prices charged Government workers.

Meanwhile, living costs keep rising and social security keeps lagging, and, as a result, the typical beneficiary today is no better off than he was in the earliest days of the system, when the benefits were low but the dollar was substantial.

I repeat, gentlemen; try to look at this through the eyes of the aged. The totally inadequate benefit increase proposed in this bill can do no more than perpetuate a subsistence level that borders on actual poverty.

From a realistic standpoint, benefits should be increased 100 percent. Perhaps you would regard this as politically unacceptable at this time, and perhaps it is. But political considerations don't change the economic facts of life. Somewhere between 7 and 100 percent there must be a compromise that makes economic sense, and I suggest the figure is a whole lot closer to 100 than it is to 7.

I appeal to the conscience of this Congress. How in Heaven's name can you increase benefits by 10 cents a day and expect the people to believe you have legislated in their interests? You can't. I am sure that every person in this room knows you can't.

And how can the Congress explain away the almost total disregard shown the nearly 2,500,000 persons dependent upon the old-age-assistance program? With its right hand, H. R. 13549 increases Federal participation in the grants-in-aid program, and, thus, would seem to improve the lot of age-aid recipients. But, with its left hand, it takes away the $6-per-month direct Federal allowance for medical care. As a result, an old-age-assistance recipient who is taken ill will be no better off than before.

The second basic change ignored in H. R. 13549 concerns financing, and it is to this most vital matter that I propose to devote myself in the remainder of my statement.

Every 2 years for the past decade, the Congress has had to patch up the social-security system. And why? Because, from the very

start, its method of financing was faulty. Now we are beginning to reap the whirlwind.

This significant sentence appears on page 2 of House Report No. 2288, 85th Congress, 2nd session (this is the report of the Committee on Ways and Means which accompanied H. R. 13549):

> The latest long-range cost estimates prepared by the Chief Actuary of the Social Security Administration show that the old-age and survivors insurance part of the program (as distinct from the disability part) is further out of actuarial balance than your committee considers it prudent for the program to be.

Earlier this summer, the Social Security Administration predicted a 5-year period during which benefits would exceed outgo and the trust fund would be diminished.

Before that, the Administration was forced to concede publicly that, because of gross miscalculations regarding the number of women who would claim benefits at ages earlier than 65, the number of farmers who would apply, and the amount of money that could be expected in the form of payroll taxes, social-security finances were running out of balance.

And, before that, the Department of Health, Education, and Welfare warned the Congress that it could not establish a minimum monthly benefit of even as little as $75 a month without imposing a back-breaking tax burden on the wage and salary earner.

These are only a few of the most recent symptoms of a sick financial system. I think it is fair to say that, if the financial system had been sound in the first place, 90 percent of social security's troubles would not have arisen.

The Congress has never squarely faced up to the problem. Instead, it has contented itself with patchwork revision every 2 years. What is more, it has deliberately swept the problem under the rug by saying, "Well, we'll raise the taxes next year, or 10 years hence." I suppose this has been politically palatable. But it hasn't solved any problems. If it had, we wouldn't be here every other year trying to solve them all over again.

Here is an example of what I mean:

It is now proposed that social-security taxes be increased to 2½ percent on worker and employer alike beginning in 1959. This combined tax rate of 5 percent would be increased to 6 percent in 1960, to 7 percent in 1963, to 8 percent in 1966, and to 9 percent in 1969.

(It is optimistically proposed that the 9-percent rates would be in operation not only in 1969 but "and thereafter." Surely, we cannot be so naive, considering our past experience with social security, to believe that the increases will stop at 9 percent.)

But where is the logic in these future calculations?

In other words, if it is desirable to impose a total tax rate of 9 percent in 1969, then why isn't it desirable to impose the rate next year, in 1959?

What do we think is going to happen in 10 years to justify the change in rate? Why will it be good then, but bad now? Is there any evidence to suggest that wage earner 10 years hence will be more willing, or better able, to pay the higher rate? Of course not.

Do we think the people of 1969 are likely to be more deserving of higher benefits than the people who are now retired? The notion is preposterous.

Why, then, do we propose such a schedule of graduated tax increases? Is it not, in all honesty, because we are politically fearful? Haven't we taken the easy and the morally dishonest way out? Haven't we deliberately contrived a scheme to dull the worker's resistance to taxes by sneaking up on him with a percentage point here, a percentage point there, camouflaged by the passing of time? Of course we have.

Make no mistake, gentlemen, I certainly do not propose that we increase the tax rate to 9 percent at once, and neither does the organization I represent. My tongue-in-cheek observation has a purpose, nonetheless. It is to raise the question: If the people who are wedded to social security believe in their system, then why don't they play the game fairly?

But, even if they did play fairly, they would, I believe, be doomed to failure.

By now it should be clear to economists and statesmen alike that social security, as it is financially constituted, has gone just about as far as it can. If we cannot pay even a $75 minimum without intolerable taxes—and the social-security experts say we cannot—then we do not have a social-security system worthy of the name.

The heart of social-security financing is, of course, the tax on payrolls. That is precisely where the difficulty lies. The supply of money subject to taxation just isn't large enough. It is all very well to seek additional revenue by broadening the base from $4,200 to $4,800 a year. But the base has been broadened before. And what is the next step—$6,000? It already has been seriously proposed. Suppose it did go to $6,000, or even higher. The result would be that only the very highest paid workers would become eligible for maximum benefits, and social security would become a mockery by converting itself into a pensions-for-the-rich scheme.

I submit that increasing the proportion of the payroll subject to taxation is a poor solution. We must look elsewhere.

Our organization has legislation pending in the 85th Congress (H. R. 7086, by Mr. Blatnik) which would, among other things, finance Federal retirement benefits from the proceeds of a tax levied against the gross income of business and industry, and, with appropriate exemptions, the gross income of individuals.

The superiority of such a tax over the payroll method is immediately apparent. By applying a very low tax against the vast wealth represented by gross income, a tremendous revenue potential is possible. A gross tax of about 2 percent would produce more than a payroll tax of, say, 20 percent.

We can afford 2 percent. We cannot afford 20 percent.

If I can succeed in leaving you with just one thought, I shall feel that my visit here has been eminently rewarding. And this is it:

The great, all-pervading problem in social security is financing. As long as we cling to the payroll tax method we will perforce have to pay inadequate benefits, and they will come at a high price. If we

convert to a gross income base, we can pay decent benefits at an extremely low rate of tax.

I urge this committee to devote deep and sober thought to the financial aspects of social security. Once we have solved that problem, the greater part of our mission will have been accomplished.

I deeply appreciate your courtesy in allowing me to appear here today.

Thank you.

Senator LONG (presiding). Thank you, Mr. Townsend.

Mr. TOWNSEND. I have, Mr. Chairman, quite a voluminous statistical report concerning our legislation which I should like to introduce to the committee for the record.

Senator LONG. Is that it?

Mr. TOWNSEND. Yes.

Senator LONG. That will be included with your statement in the record.

(The documents referred to are as follows:)

STATISTICAL COMPARISON—DECLINING ECONOMIC POSITION OF THE AGED UNDER OASI AND ELIMINATION OF THEIR ECONOMIC INFERIORITY THROUGH H. R. 7086

(Prepared by the Townsend legislative bureau, research department, Townsend Plan, Inc., Washington, D. C.)

The failure of OASI to better the economic position of the retired people in the United States—along with the statistical picture of ways and means other than those employed under OASI which are capable of eliminating the economic inferiority of the aged—is the very crux of the social security problem. This comparison is the purpose of this paper.

Social security is not just a program. It is a vital objective in the lives of all Americans. They have not achieved fulfillment of this objective because we have not yet achieved a truly adequate program. We seek a social security program that will take into full consideration the demonstrated ability of people to provide certain resources for themselves. These resources, in conjunction with an adequate program, should add up to a total of economic resources adequate to maintain a condition of social security in the full sense in which we visualize it.

The great majority of people in the old-age bracket experience a drastic and progressive decline in their standards of living—this is the main and permanent factor in the problem of social security. Less permanent are the factors other than old age. Disability, for example, through medical advances, can be expected to reduce its incidence in the future. But longevity is the permanent factor.

Anybody aware of the economic facts of these times must recognize that while a relatively few people can reach old age with resources sufficient for up-to-date living, the very great majority of the American people cannot do so. If this were not true, then Congress would not be concerned with social security in the first place. Today, private resources (resources other than those provided by the Social Security Act in the form of old-age benefits) provide our 65-and-over population with less than half the basic, average income enjoyed by the younger, fully adult population, those aged 25 through 64.

This does not constitute a condition of living which can be termed social security.

The present programs, under the Social Security Act, have clearly failed to better this condition.

Let us examine the exact facts about the comparative income-position of our 65-and-over population as revealed by the annual surveys on consumer income distribution, by the Bureau of the Census. The following tabulation emphatically sets forth these facts which constitute the reasons for this legislation.

Population increases in adult age groups, United States, 1947 through 1956—Income position of aged, 1947 through 1956

	Increases in numbers of persons		
	1947	1956	Percent increase
A. Aged 14 and over:			
Men	52,459,000	56,591,000	
Women	54,953,000	61,304,000	
Total	107,412,000	117,895,000	9.8
B. Aged 14 through 64:			
Men	47,403,000	50,014,000	
Women	49,368,000	53,588,000	
Total	96,771,000	103,602,000	7.0
C. Aged 25 through 64:			
Men	35,578,000	38,905,000	
Women	36,919,000	41,205,000	
Total	72,497,000	80,110,000	10.5
D. Aged 65 and over:			
Men	5,050,000	6,577,000	
Women	5,585,000	7,716,000	
Total	10,641,000	14,293,000	34.3

Share of money income by persons 65 and over:	*Percent*
1947	[1] 7
1952	[1] 8
1953	7.8
1954	7.7
1955	7.9
1956	7.6

[1] Social Security Bulletin, February 1954, article by Jacob Fisher.

Sources: Census Bureau, Current Population Reports, Series P–60, No. 5, table 15; No. 27, table 18.

Our elderly population is increasing over three times as rapidly as the rest of our adult population. The income-share of the aged group remains static. Since the whole group receives the same total share of income, the economic position of the average member of the group continuously declines.

The part of the income of the aged which is made up of social security benefits increased from 18.9 percent in 1947 to 30.9 percent in 1956. Conversely, the part of their income made up from other resources declined from about 86 percent in 1947 to about 69 percent in 1956.[2] The ability of most Americans to finance their old age through other means than our Federal social security law is shrinking fast and steadily. Our present social security program has failed, not only to better the economic position of our people in old age, but it has even failed to compensate for the constantly shrinking ability of the people otherwise to provide for their old age. These are the facts. Drastic action on social security legislation must be taken.

Analysis of table 18. Current Population Reports, Consumer Income, Series P–60, No. 27, shows that in 1956 the people in the United States aged 65 and over received an aggregate money-income of $20,255,632,000.

The Social Security Bulletin, March 1957, shows that this segment of the population received $4,488,973,000 in benefits under title II of the Social Security Act (see table 7). Table 10 of the same issue shows that they received the sum of $1,676,874,000 in benefits under title I. Thus, they received a total of $6,165,847,000 in old-age benefits from the Social Security Act.

Subtracting these old-age benefits from the aggregate of money-income the aged received, there remains $14,090,285,000 from other sources.

[2] Social Security Bulletin, Annual Statistical Supplement, 1955, and Social Security Bulletin, April 1957.

At the average benefit-rate of $140 per month—and assuming as many as 12 million full beneficiaries aged 65 and over under H. R. 7086—they would have received about $21 billion in benefits under this bill. This would have brought their aggregate of money-income up to about $85 billion in 1956, as a total group.

In order to have been on full parity with the adult group aged 25 through 64, they would have needed about $40 billion, in 1956.

Thus, H. R. 7086 would have placed the aged, as a group, reasonably near to the income-standards enjoyed by the rest of the fully adult population—and, at the same time, since virtually no person among them would have had less than the benefit under H. R. 7086, poverty among this part of our people would have been nonexistent.

Mr. Chairman, that is specifically what H. R. 7086 is designed to accomplish. It provides the ways and means of accomplishing it. The present system makes no progress toward bettering the relative-income position of the aged. We feel it is no longer a matter of serious debate—in view of the facts available today—as to whether it can be done. Rather, it is a matter of whether the Congress actually intends to provide decent standards of living for Americans in the latter years of their lives.

Mr. Chairman, accompanying this presentation, I submit the memorandum of analysis of H. R. 7086 entitled "Explanation of Estimates of Monthly Benefits Available Under H. R. 7086, and Description of Data on Which Estimates Are Based," for the committee's reference and study.

Explanation of Estimates of Monthly Benefits Available Under H. R. 7086, and Description of Data on Which Estimates Are Based

H. R. 7086 (the Townsend plan bill) proposes that its benefits be financed by a tax on the gross receipts (gross income) "of all persons and companies, except that all personal gross incomes up to $250 per month shall be exempt." Because this tax base is so extremely broad, it would permit a low tax rate and, at the same time, a revenue yield high enough to carry out the purposes of the bill. This yield would closely reflect the status of the Nation's economy at any given time, automatically compensating for variations in both the cost of living and in prevailing standards of living.

It would be a simple matter to add up the gross receipts of all persons and companies—if such data were available. Most existing reports, however, deal with net rather than gross receipts, and those reports that do exist concerning gross receipts (gross income) tend to be rather fragmentary. For example, while the Census Bureau's Census of Business covers retail, wholesale and service businesses in the United States, it does not include all businesses; and there are gaps and overlaps in the data. Thus these reports would provide only a minimum estimate of the proposed tax base.

Therefore, we must look elsewhere. Fortunately, data does exist from which a maximum estimate of the tax base can be reached. Enactment of H. R. 7086, on the strength of the maximum estimate, would insure that the benefits would not exceed the amounts calculated herein.

This study is, therefore, based on the maximum approach for determining the tax base.

Data on which monthly benefits under H. R. 7086 can be calculated

Total business volume

For the purposes of this study, the Nation's volume of business is computed from two sets of statistics:

1. There is the monthly report of "Debits to Deposit Accounts," prepared by the Federal Reserve Board. This figure is the total movement of money in the country as represented by so-called checkbook money. It is the total of payments made by individuals and companies as reflected by the debits to the bank accounts they maintain. While not all of these payments represent "Compensation for personal services," or proceeds from "trades, business, or commerce" or "from the sale, transfer, or exchange of property, tangible or intangible, real or personal" (the tax base proposed in H. R. 7086)—most "debits" are of this nature. When people write checks, they usually do so in order to make a payment of

some sort. The exceptions are, in an important degree, the subject of the following sections of this study.

2. There is the monthly Federal Reserve Bulletin report showing the amount of United States currency in circulation (that is, outside the Federal Reserve banks and the U. S. Treasury) as of the last day of each month. We do not know exactly how much business is transacted exclusively on a currency-payment basis, but the amount is obviously substantial. However, our studies, based on previous extensive studies by Dr. John Donaldson, of George Washington University, indicate that five times the amount of currency in circulation is a fair judgment of business done with cash annually. Today, total business volume amounts to about $2.5 trillion. Five times the amount of currency in circulation (presently over $30 billion) would make the currency-paid business volume a little over $150 billion, annually, or about 6 percent of the total.

If we multiplied by 6 instead of 5, the total would be increased by one-fifth of 6 percent or 1.2 percent. This, in turn, would increase the tax-yield estimate by not more than 1.2 percent. For the purposes of this study, we have adopted the estimate of 5 times the amount of currency in circulation, plus the total of debits to deposit accounts as representing the total business volume annually.

The tax base

H. R. 7086, does not propose to use either business turnover or total transactions as a tax base. It proposes a tax on gross receipts (gross income), received as "compensation for personal services," or as proceeds from trades, businesses, or commerce" or "from the sale, transfer or exchange of property, tangible or intangible, real or personal." As a result, the tax base under H. R. 7086 would be considerably smaller than the theoretical figure for total business turnover.

Following is a study of the deductions from total business volume that are essential to arrive at an estimate of the yield under the proposed tax.

It is important to bear in mind that the object of this study is to estimate the tax base on the basis of the maximum approach.

DEDUCTIONS FROM TOTAL BUSINESS VOLUME

I. Taxes

(A) Federal revenue would not, of course, be subject to the tax under H. R. 7086. In 1957, total Federal receipts from the public were $82.1 billion—as reported by the Federal Reserve Bulletin for February 1958, page 170; in 1956 they were $77.1 billion; in 1955 they were $67.8 billion. Since the defense program implies a continued high level of spending, it is reasonable to expect no significant lessening of this figure. The figure of $82 billion is, therefore, deducted from total business volume to arrive at the tax base under H. R. 7086.

(B) State and local revenue: The Department of Commerce, in the July 1957 issue of the Survey of Current Business, page 13, table 8, shows that in 1956 State and local receipts totaled $34.1 billion; in 1955 $31.7 billion; in 1954 $29.1 billion. Therefore, while 1957 reports are not yet released, we adopt a figure of $35 billion to represent State and local governments' receipts—which would not be taxable under H. R. 7086.

This gives us a deductible figure for 1957 of $117 billion.

II. Exemptions

Section 214 of H. R. 7086 provides that the tax shall apply to the gross receipts of all persons and companies, except that the first $250 monthly of personal gross income shall be exempt. Analysis of table 18, Current Population Reports, series P-60, No. 27, presenting 1956 data on the distribution of persons by age and sex and money income (the latest survey reported), shows that personal money income under $3,000 per year ($250 per month) aggregated at least $166 billion. Since this figure has been mounting steadily, year by year, having been at about $130 billion in 1950, for example, we adopt the figure of $166 billion for the purposes of this study.

Thus we add a deductible item of $166 billion.

NOTE.—The proposed tax rate on gross income under H. R. 7086 is 2 percent. If the personal income exemptions were not permitted, a rate of about 1.8 percent would yield sufficient revenue to pay the same benefits, approximately, as are envisioned under a 2 percent tax including the exemptions. With the lower rate and no exemptions, more revenue would be collected in the form of direct taxes from persons and a little less in the form of indirect, or price-included taxes.

III. Shrinkages

As used in this study the term "shrinkage" applies only to a lessening in the dollar volume of business. It does not refer to shrinkage in the actual production or distribution of goods and services.

Business, obviously, must accommodate to any new system of taxation. Thus, under the tax proposed in H. R. 7086, more producers would be prone to enter into agency contracts with their dealers instead of selling outright title to their products. In such cases, the values of agents' commissions would become the measure of their gross receipts instead of the total price charged their customers. To approach the true base of the proposed tax, such shrinkage must be regarded as a deductible item.

Economists Dr. John Donaldson of George Washington University in 1943 and 1944 and Dr. Harry Moorehouse of the University of Georgia in 1946, concluded that shrinkages due to business accommodation to the proposed tax would have amounted to about $40 billion annually in 1942 and 1943. Projecting this estimate to the business levels of 1957, this item conservatively becomes at least $100 billion annually.

(It must be kept in mind that shrinkage represents an intangible item, especially in view of the fact that there never has been a tax on national gross receipts.)

Although shrinkage is represented in this study as a factor, it is not absolutely certain that the operation of this tax would occasion these lessenings of business volume. However, shrinkages are probable under a national tax and their probable effects must be considered.

If we ignored shrinkage entirely, the maximum nature of the resulting estimate of the tax base would be beyond challenge. With total business volume running at about $2.5 trillion in 1957, it is obvious that the $100 billion figure adopted to represent shrinkage in this study amounts to only about 4 percent of the total—so that including it or excluding it would alter the resulting estimates by only that amount. The fact that some 25 years of experience under precisely such a tax in the limited scope of one State's business, namely, in Indiana, has found no significant effect due to such shrinkage, indicates clearly that it is not an effect which would become such as to alter needed tax rates in any radically large way. Deductible item, $100 billion.

IV. Loans, investment-capital and transfers

Under H. R. 7086, the principal of loans and their repayment of the principal, capital invested, and recovery of the invested capital would not be subject to taxation. Interest, dividends, and capital gains would be. So-called flow statistics on the total dollar-volume of loans made and repaid are not available; most reports deal mainly with the amounts of loans outstanding. Statistics on the amount of new capital invested through securities are available.

There are no reports which make it possible to measure the dollar volume of simple transfers of funds by depositors from one account to another as a matter of business convenience. Appendix A of this study includes sufficient flow data to show that the minimum allowance we can make reasonably to represent these factors is $206 billion annually as of 1957.

V. Miscellaneous

There are numerous other receipts that would not be taxable under H. R. 7086, but they are not so reported that they can be segregated and measured. For example, there are sums paid as insurance claims and the receipts of nonprofit organizations and trust funds which would be exempt. In 1956, employers alone paid some $5.7 billion into private pension and welfare funds, to say nothing of employees' contributions and the issue by such funds of nontaxable benefit payments. (See Survey of Current Business, July 1957, p. 22, table 34.) These additional items indicate even more forcibly the maximum nature of the estimates in this study.

All things considered, under the tax proposed in H. R. 7086 the net tax base would have been at least $589 billion less, in 1957, than the total of debits to deposit accounts plus 5 times the amount of currency in circulation.

CONCLUSION

For the purpose of measuring the performance of the program advocated by H. R. 7086, for the year 1957, this study will employ the figure of $589 billion to represent the total of items deductible from the sum of debits to deposit accounts plus 5 times the amount of money in circulation. This will provide the estimate the next tax base:

Debits to deposit accounts	$2,356,768,000,000
5 times money in circulation	154,975,000,000
Total	2,511,743,000,000
Subtracting $589,000,000,000, the total of deductible items	$1,922,743,000,000

Since H. R. 7086 provides for operation on a monthly basis—not on an annual basis—the annual figure above reduces to an average, monthly figure of $160 billion—the net operating tax base. Thus, the average monthly revenue at the fully matured 2-percent tax rate provided for in H. R. 7086 would have been $3.2 billion in 1957. This is the whole fund which the Government would be handling on the pay-as-you-go basis underlying H. R. 7086—collecting the money monthly and disbursing it monthly in its entirety.

ADMINISTRATIVE COSTS

In the calendar year 1957, as set forth in the Social Security Bulletin for March 1958, the administrative costs for the old-age and survivors and disability insurance program for the year 1957 totaled over $161 million. (See table 6.)

The cost of administration of old-age assistance in 1956, was just over $99 million. (See Social Security Bulletin, Annual Statistical Supplement 1956, tables 88 and 91.)

The total cost of administering old-age survivors and disability insurance and old-age assistance, therefore, is at least $250 million annually.

It is estimated, for the purposes of this study, that the cost of administering the program proposed in H. R. 7086 would, in no case, exceed that of administering the above programs, or a maximum of $250 million annually. This would amount to considerably less than 1 percent of the revenue provided for by H. R. 7086.

H. R. 7086 proposes the simplest possible program to administer. There would be no complex processing of wage and employment records of individuals. There would be no need of special personnel to determine the amounts of individual benefits, since all recipients would receive equal benefits; and it would only be in respect to specific deductions, not the calculation of the benefits themselves, that administrative procedure would become involved.

Beneficiaries would be required only to show proof of age, retirement, widowhood with responsibility for minors, being orphaned, or disabled—as the case might be—to establish eligibility.

In view of these considerations, it seems clear that the cost of administering old-age, widows', and children's benefits under H. R. 7086 could not possibly be as much as the 1957 cost of administering old-age survivors and disability insurance. Due to the simplicity of eligibility requirements and the elimination of the present procedures in connection with maintaining lifetime wage and employment records of all workers—the reality would be that it would cost considerably less. This consideration is all the more attractive when it is realized that, under H. R. 7086, far higher benefits would be provided for very many more beneficiaries than under the present system.

In addition to old-age, widows', and children's benefits, there would be disability benefits under H. R. 7086. As will be shown later, it is estimated that there will be between 2 and 2.4 million disabled beneficiaries.

The cost of administering the disability provisions under H. R. 7086 cannot properly be compared to the cost of administering aid to the totally and permanently disabled under the present social-security system. The differences between the two programs, from the point of view of administrative costs, are great.

A disabled person would have exactly the same benefit under the Townsend bill as any other adult beneficiary. This would be a direct, Federal payment with no local or State funds and their additional administration being involved, as they are involved under the present system of aid to the disabled.

The complexities of means tests and similar requirements are eliminated under the Townsend plan bill. In the present system of public assistance, costly investigation of the resources of each applicant is required. Its absence under the Townsend bill invalidates any comparison with the cost of administering the present program of aid to the disabled.

The present program of aid to the blind also involves administration of Federal, State, and local funds, plus the cost of investigating the resources of

each beneficiary, plus periodic verification. Under H. R. 7086, the blind would be included with the disabled, and State and local funds plus means-test procedures would be eliminated.

For the following reasons, we have assumed, for the purposes of this study, that the cost of administering the present program of old-age assistance would approximate the cost of administering the disability provisions of H. R. 7086:

First, the number of beneficiaries under old-age assistance is comparable to, although probably a little larger than, the number of disabled beneficiaries reasonably to be expected under H. R. 7086.

Second, while the determination of disability would be required under H. R. 7086, determination of the resources or need of recipients would not. It is conceded that, in some cases, the determination of disability is more involved and costly than investigation of an individual's resources, but it is equally true that many cases of disability are obvious, while "need" must be certified in every old-age-assistance case. Thus, the cost of determining disability under the Townsend bill and that of determining need under old-age assistance must be deemed to be comparable.

Then there is the fact that old-age assistance requires the administration of Federal, State, and local funds, while the Townsend bill requires only the direct Federal payment of substantially the same benefit to each beneficiary each month. Old-age assistance also requires, in addition to the payment of endlessly varying amounts to individuals, the periodic redetermination or verification of the continuance of need—with need and, hence, payments frequently varying even in the individual cases.

When all these factors are considered, it appears perfectly reasonable to use the cost of administering old-age assistance as an ample estimate of the cost of administering the disability provisions of H. R. 7086.

For not more than the cost of administering the present programs of insurance under title II and of title I of the Social Security Act, H. R. 7086 would administer benefits averaging more than twice as much for at least twice as many people as all present programs put together (old-age assistance, aid to the blind, aid to dependent children, aid to the disabled, and title II).

ESTIMATES OF NUMBER OF BENEFICIARIES

Although Census Bureau studies of income distribution do not classify the population by age in terms of 5-year groups, the reports do deal with such broader classifications as persons 55 to 64 and those 65 and over. There are no intermediate statistics, for example, on income distribution among people aged 55 to 59, or 60 to 64. Thus, it is statistically not possible to assess the income levels of the group over 60 but not yet 65.

Census reports show there are about 22 million persons aged 60 and over in the United States. In times of high employment, many people, of course, would not elect to apply for benefits in their earlier years of eligibility in view of opportunities to continue in occupations providing them better incomes than they would enjoy if they then retired. This would be particularly true of men; especially in view of the fact that, under H. R. 7086, wives' benefits would equal and would be in no respect dependent upon their husbands'. For the purposes of this study, we estimate that about 16.5 million persons aged 60 and over would retire under the provisions of H. R. 7086. Under the provisions of section 206 of H. R. 7086, some persons would not be recipients of full benefits because of earnings. The actual number of persons receiving benefits would, doubtless, be greater than the above 16.5 million (but, when balanced against the number who would, under section 206, be partial beneficiaries, it seems that 16.5 million full beneficiaries would equal the total of all old-age beneficiaries). But it is obvious that the number who would actually be partial beneficiaries due to the operation of section 206 of H. R. 7086 would result in all of them being the equivalent of the approximately 16.5 million full beneficiaries postulated above.

There seems no reason to revise previous estimates of the number of widows with dependent children—since this segment of our population does not seem to be increasing in any notable degree. Analysis of tables 4 and 5 on pages 12 and 13 of Current Population Reports, Household and Family Characteristics, April 1953, series P–20, No. 53, dated April 11, 1954, shows:

(1) 1,526,000 families having female heads with children of their own under 18 years of age.

(2) 1,098,000 families having heads of either sex aged 55 through 64 with children of their own under 18.

(a) 978,000 families with husband and wife both living with heads aged 55 through 64 with children of their own under 18.

(b) Therefore, there are 120,000 single-parent families with heads 55 through 64 with their own children under 18.

H. R. 7086 grants female family heads with dependent children benefits until these women become 60. At that point, such women would become eligible for benefits by reason of age. The number of women family heads past 60 with dependent minor children must be subtracted from the total figure revealed by table 4; namely, 1,526,000. Such persons would receive benefits by reason of retirement age rather than by reason of being female family heads with dependent children.

As noted, there are some 120,000 single-parent families (with heads of both sexes), aged 55 through 64, having their own children under 18. The data does not distinguish between sexes. However, women are more often left with children than men. We have made the arbitrary assumption that 60 percent of the 120,000 are women and 40 percent men; 60 percent of 120,000 is 72,000.

Since the likelihood of childbearing declines as age advances, we can reasonably assume that only about 30 percent of the women aged 55 through 64 having children of their own under 18 are over 60; 30 percent percent of 72,000 is 21,600. These 21,600 should be subtracted from the 1,526,000 families with female heads and dependent children under 18. This leaves 1,504,400.

Table 5 shows there are 232,000 families having heads (both sexes) aged 65 and over and having children of their own under 18; that 192,000 are husband-wife families. Therefore, there are about 40,000 single parent families among them. Assuming 60 percent of these to be women parents, we have 24,000 women aged 65 and over who are heads of single-parent families having children of their own under 18.

Since these 24,000 women would be eligible for benefits under H. R. 7086 by reason of retirement age, they should be subtracted from the 1,504,000 leaving 1,480,400, under the age of 60 who would qualify for benefits under H. R. 7086 as female family heads with dependent children under 18.

Obviously, many of these women would not elect to receive benefits because of gainful employment at good wages and salaries. For the purpose of this study, we have assumed that 25 percent of these otherwise eligible women would not qualify themselves. This leaves us with a final figure of 1,110,400 women to be expected as probable beneficiaries by virtue of being female heads of families and having dependent minor children.

Again, while the operation of section 206 of H. R. 7086 would probably result in the number of women on the rolls being larger than the above 1,110,000, yet, they should not equal more than many full (as distinguished from partial) beneficiaries.

Although specific data on the disabled are not available, the Annual Report of the Federal Security Agency, 1952, on page 30, states: "It is estimated that, among our civilian population of working age, approximately 2 million people have total disabilities that have lasted more than 6 months. (This figure takes no account of the large number of disabled people among the 1.2 million inmates of institutions of various kinds.) Among those aged 55 through 64, probably every 16th person is totally disabled."

Therefore, an estimate of between 2 million and 2.4 million persons seems reasonably to indicate the number of disabled beneficiaries to be expected. While the operation of section 206 might, theoretically, bring all genuinely disabled people on the rolls, its effect would be to render many of them partial beneficiaries as the result of that same provision. In terms of an estimate of total beneficiaries, therefore, the above 2 million to 2.4 million seems the likelihood.

Child beneficiaries under H. R. 7086 must be estimated on the basis of, first, the above estimate of female heads of families with dependent children and, second, the approximate ratio between families involved and the number of child beneficiaries under the present programs of insurance and public assistance. Table 5 of the last (May 1953) issue of the Social Security Bulletin shows 303,400 mother beneficiaries under OASI and 1,360,000 children. This is a ratio of 4.5 to 1. Table 14 shows there to be 690,000 families involved in aid to dependent children along with 1,981,000 children. This is a ratio of 3 to 1.

In the case of the insurance program, it seems obvious that there are children eligible for survivors benefits while their mothers may not be. In the case of the public assistance program, it is to be realized that the children aided may be in families in which needs-test standards preclude aid to the parents.

Therefore a ratio of 3.5 to 1 seems to be close to the reality—in terms of the number of children, on the average, to be expected per female family head under H. R. 7086. This would mean between 3.5 million and 4 million child beneficiaries under H. R. 7086.

Since child beneficiaries would receive one-third of the prevailing adult benefit, these child-beneficiaries would add up to between 1 million and 1.3 million full beneficiaries.

Summary

	Million
Old-age beneficiaries	16.5
Disabled beneficiaries	2.2
Female heads of families	1.1
Full benefit units via children (times 3 for persons)	1.2
Total, full, primary benefits	21.0

Calculations of benefits

The following calculation of estimated benefits is based on the foregoing analysis. The estimated monthly revenue yield from the 2 percent gross income tax proposed in H. R. 7086, minus the estimated cost of administration, is prorated among the probable number of full benefits. Children's benefits, of course, would be one-third of the resulting figure; and partial benefits due to other provisions of the bill, as previously explained, are included as making up the total equivalent of about 21 million full benefits.

The net tax base, $1.9 trillion divided by 12, since the program operates on a monthly basis, amounts to $160 billion; 2 percent of $160 billion equals $3.2 billion, the average monthly gross revenue.

Administrative costs, averaging about $21 million monthly, should be subtracted from monthly gross revenue, leaving $3.179 billion to be distributed as benefits:

$3.179 billion divided by 21 million equals an average monthly, full benefit-rate of $151 in 1957.

If the number of beneficiaries be varied, up or down, by 1 million, the resulting benefit rate would vary inversely by slightly less than 5 percent.

If we assumed 20 million full benefits, the resulting rate would be $158 a month.

If we assume 22 million the benefit rate would be $145 a month.

If we assume 24 million the benefit rate would be $132 a month.

It is of the utmost importance to remember that this study is based on the maximum approach as emphasized at the outset.

It is of equally vital importance to bear in mind that this program would involve no extensive, over-the-years-and-decades accumulation of funds—but that the Government would collect the revenue monthly and disburse it monthly in its entirety, with the exception of that insignificant part needed for administrative expenses.

APPENDIX A—DATA RELATIVE TO AMOUNTS OF MONEY LOANED IN THE UNITED STATES

I. Value of new construction, 1957 (source: Survey of Current Business, Department of Commerce, February 1958, p. S–7)	$47,255,000,000
There are no direct, flow statistics on loans in the construction industry. Therefore, conclusions are a matter of judgment. It is clearly an area of business of great magnitude which should be represented in this study. With no quarrel as to anyone else's opinion that it should be greater or less, it is here assumed that in the total course of business procedure in the construction industry at least one-half of the total value of the construction represents money borrowed	23,627,500,000
II. New nonfarm mortgages ($20,000 and under), estimated total, 1957 (source: Survey of Current Business, February 1958, p. S–8)	24,243,000,000
III. Installment credit extended, 1957 (source: Survey of Current Business, February 1958, p. S–17)	42,433,000,000
IV. New corporate securities issued, 1957 (source: Survey of Current Business, February 1958, p. S–19)	12,270,000,000
Total	108,000,000,000

Loans, in their effect as part of the total volume of business, are a two-way affair, that is, they are not only being made, but they are also being repaid. Therefore, in the theoretical long run, double the figure of loans made would properly represent the dollar value of loans made and repaid. This would double the above total figure, making the factor at least $206 billion to be deducted from total business volume in the course of this study's approach to the tax base proposed in H. R. 7066.

Senator LONG. Next is Mr. John N. Taylor, National Federation of the Blind.

You may proceed.

STATEMENT OF JOHN N. TAYLOR, REPRESENTING THE NATIONAL FEDERATION OF THE BLIND

Mr. TAYLOR. Mr. Chairman, may I first identify myself for the record.

My name is John Taylor, and I wish to present a summary of a statement prepared by Dr. Jacobus tenBroek, president of the National Federation of the Blind. Unfortunately, Dr. tenBroek was not able to be here today, and again unfortunately, neither have the ink print copies of the statement arrived.

I wish, however, to request that the statement be included in the record and I will deliver copies to this committee.

Senator LONG. That will be done.

Mr. TAYLOR. H. R. 13549 which is presently before this committee provides for a 2-year extension of special legislation previously enacted with respect to aid to the blind programs in Missouri and Pennsylvania.

We believe that this extension is a step in the right direction, but that it does not go nearly far enough. We therefore respectfully urge this committee to provide a permanent solution to this problem.

This can be accomplished by amending the bill to provide that a State plan for aid to the blind may use a more liberal means test than that presently in effect without loss of Federal funds and, also, without increase in Federal funds.

The independent programs for aid to the blind in both Missouri and Pennsylvania, which have been in operation since before the passage of the Federal Social Security Act have been held to be out of conformity with the means test requirements of the Federal act. Only by grace of special legislation first enacted in 1950 and subsequently extended twice have the two States been permitted temporarily to retain their separate public assistance plans.

The present expiration date of the special legislation is June 30, 1959. The expiration date of the extension contained in the bill before your committee is June 30, 1961.

It will be evident that the repeated postponement over nearly a decade of any systematic attempt to solve this problem has created a dilemma both for the organized blind and for the two States concerned. Congress has consistently declined to consider a permanent solution toward the close of its sessions, and near the expiration of the extension periods on the ground of lack of time for proper study.

On the other hand, Congress has refused to take up the problem at an earlier period on the ground of lack of urgency.

Accordingly, we are constantly in a dilemma. We hope that this time your committee will solve this problem and solve it once and for all.

Long-range planning of any kind on the part of the States concerned with respect to their public-assistance programs for the blind has been rendered impossible. It should be recognized that when the proposed extension of the Missouri-Pennsylvania programs has expired, nothing will have been changed, and the States will be no closer to a solution of their problem. We believe, therefore, that there is no reason whatsoever in terms either of policy or experience to grant only a stopgap reprieve to the two States rather than to provide a permanent and long-range solution to the public-assistance problem which affects their programs of aid to the blind.

Before describing how such a permanent solution to that problem may be implemented in the present bill, let me take a moment to explain the nature of the problem itself.

Under the special legislation which is presently in effect, the Federal Government furnishes participating funds only for those blind persons who can meet the present rigid requirements of the Federal law.

The remaining eligible blind people of Missouri and Pennsylvania receive aid entirely from State funds.

It is an ironic comment upon the attitude of the Federal administrators that the very features of the Pennsylvania-Missouri plans which lead to their being held out of conformity with the Federal act are exactly those most conducive to fulfillment of the self-care and self-support purposes written into the act by the 1956 Social Security Amendments.

The origin of the so-called Missouri-Pennsylvania problem goes back to about 1950 when the Federal officials informed the two States that they could not receive Federal money for their federally eligible blind aid cases if they continued to maintain these wholly State supported programs for federally ineligible cases.

The special legislation passed by Congress in 1950, since twice extended and now proposed to be extended again in H. R. 13549 has forestalled the enforcement of this Federal decree temporarily.

We believe that the fairest and most feasible solution to the Missouri-Pennsylvania problem is to add a sentence to clause (8) of section 1002 (*a*), title X, of the Social Security Act which would read as follows:

> A State plan for aid to the blind shall not be required to meet the requirements of clause (8) if, in lieu thereof, it provides that the State agency in determining need, shall take into consideration less of the other income and resources of the individual claiming aid to the blind than would be required to be considered under clause (8) or shall disregard more than the first $50 per month earned income, or that the State agency shall pay a fixed sum to all individuals eligible for aid to the blind; but payments under section 1003 shall be made in the case of any such plan only with respect to expenditures thereunder which would be included as expenditures for the purposes of section 1003 if the plan met the requirements of clause (8).

This proposal would make possible several positive accomplishments. It would restore a vital right of the States—the right to make their own decision whether or not to establish and support entirely from State funds a more liberal program of aid to the blind than the Federal Government chooses to allow.

It would preclude Federal interference with wholly State-supported programs for the blind on the ground that they are too liberal, thus permitting the States to experiment with various plans and to go as

far as they wish beyond the minimum standards of the Social Security Act.

Still more important, the proposed legislation would affirmatively carry out the purposes of self-support and rehabilitation which have always been held by Congress to be a part of public assistance by enabling more blind persons to make their way off the relief rolls, to put their productive years to maximum use and thereby to become more useful citizens and contributing members of their community.

Finally, it should be plainly stated and clearly understood that since by the provisions of this measure the Federal Government would only provide participating funds for those individuals who would qualify under the present strict Federal definition of need, the plan could not possibly increase by 1 cent the cost to the Federal Government.

It would in fact, provide, in time, a real financial benefit to the Federal Government through the increased productivity of those persons stimulated to become self-supporting.

There are other respects in which H. R. 13549 requires implementation. It calls for change in the matching formula providing additional Federal money to all States for their blind-aid programs.

While this is a desirable improvement, a change in the Federal formula which makes possible more adequate financial provisions for the needy blind is not enough.

Congress should now take affirmative steps to require the Federal officials to carry out and implement the constructive purposes underlying the self-care and self-support amendments enacted by Congress in 1956.

Unfortunately, the clear commitment of Congress to the new constructive purposes of self-support and self-care has not been shared by the Department of Health, Education, and Welfare in its administration of public assistance under the amended law.

In plain fact, these objectives have been permitted to languish or have frittered away through deliberate inattention.

The administration has chosen to interpret the new language of self-support and self-care in its very narrowest possible sense as involving no more than the provision of certain limited services and accordingly it has done nothing to implement the amendments other than share in the expense of expanding staffs of State agencies.

All other devices and forms of implementation which are within the purposes and provisions of the law have been rejected or ignored.

The more important and constructive of such proposals, adoption of which would do much to fulfill the self-support purposes of public assistance for the blind, are those which would do, (1) provide for an increased exemption of earnings for all blind recipients of aid to the blind and, (2) provide that every blind recipient who has a reasonable plan for self-support may utilize all his property and resources in the process of carrying out that plan.

Mr. Chairman, in view of the fact that this committee has other witnesses, I believe that I would appreciate only the opportunity to recommend that the committee seriously consider the written statement which I will submit to the committee, and allow me to express my appreciation and the appreciation of the National Federation of

the Blind, and its members throughout the Nation for this opportunity to appear at this late date in the session.

We respectfully urge your serious consideration of our recommendations, and particularly our recommendations with regard to a permanent solution to the Pennsylvania-Missouri problem which has plagued us and has required a considerable amount of your effort over the last decade.

Senator LONG. Thank you very much, Mr. Taylor.

(The prepared statement follows:)

STATEMENT OF THE NATIONAL FEDERATION OF THE BLIND BEFORE THE COMMITTEE ON FINANCE OF THE UNITED STATES SENATE, AUGUST 8, 1958

Submitted by Prof. Jacobus tenBroek, president, National Federation of the Blind, Berkeley, Calif.

Mr. Chairman and members of the committee, H. R. 13549, which is presently before this committee, provides for a 2-year extension of special legislation previously enacted with respect to aid-to-the-blind programs in Missouri and Pennsylvania. We believe that this extension is a step in the right direction, but that it does not go nearly far enough. We therefore respectfully urge this committee to provide a permanent solution to the problem. This can be accomplished by amending the bill to provide that a State plan for aid to the blind may use a more liberal means test than that presently in effect, without loss of Federal funds and, also, without increase in Federal funds.

The independent programs of aid to the blind in both Missouri and Pennsylvania, which have been in operation since before the passage of the Federal Social Security Act, have been held to be out of conformity with the means-test requirements of the Federal act. Only by grace of special legislation first enacted in 1950, and subsequently extended twice, have the two States been permitted temporarily to retain their separate public-assistance plans. The present expiration date of the special legislation is June 30, 1959; the expiration date of the extension contained in the bill before your committee is June 30, 1961.

It will be evident that the repeated postponement over nearly a decade of any systematic attempt to solve this problem has created a dilemma for the blind, the State legislators and the State welfare departments concerned. Congress has consistently declined to consider a permanent solution toward the close of its sessions, and near the expiration of the extension period, on the ground of lack of time for proper study; on the other hand, Congress has refused to take up the problem at an earlier period, on the ground of lack of urgency. Accordingly, we are constantly in a dilemma. We hope that, at this time, your committee will solve this dilemma for us.

Long-range planning of any kind on the part of the States concerned, with respect to their public-assistance programs for the blind, has been rendered impossible. It should be recognized that when the proposed extension of the Missouri-Pennsylvania programs has expired, nothing will have been changed and the States will be no closer to a solution of their problem. We believe, therefore, that there is no reason whatever, in terms either of policy or experience, for Congress to grant only a stopgap reprieve to the two States rather than to provide a permanent and long-range solution.

Before describing how such a permanent solution to the problem may be implemented in the pending bill, let me take a moment to explain the nature of the problem.

Under the special legislation which is presently in effect, the Federal Government furnishes participating funds only for those blind persons who can meet the rigid requirements of the Federal law. The remaining eligible blind people of Missouri and Pennsylvania receive aid entirely from State funds. It is an ironic comment upon the attitude of the Federal administrators that the very features of the Missouri and Pennsylvania plans which led to their being held out of conformity with the Federal Act are exactly those most conducive to fulfillment of the self-support and self-care purposes written into the act by the 1956 Social Security Amendments. The main features of these plans are as follows:

Missouri has two separate plans of aid to the blind, one of which is financed entirely by State money and provides for those blind individuals who meet the eligibility requirements of the State law but do not meet the stricter requirements of the Federal law. The other Missouri plan is supported by both Federal and State participating funds and covers only those individuals who qualify according to the restrictive Federal definition of need. Unlike Missouri, Pennsylvania has a single plan of aid to the blind, but those recipients who are eligible for Federal assistance and those who are ineligible are separated as a bookkeeping transaction. In both States a fixed uniform grant of $60 per month is paid to each blind recipient, as opposed to the variable individual payments under the Federal law. In both States, also, exemptions of earnings and property are more liberal than under the Federal statute: In Missouri a blind person may earn up to $175 per month, and in Pennsylvania up to $148.33, while remaining eligible for the full amount of the State pension. This is in contrast to the maximum of $150 per month required to be treated as exempt earnings under the Federal law.

The origin of the so-called Missouri-Pennsylvania problem goes back to about 1950, when the Federal officials informed the two States that they could not receive Federal money for federally eligible blind aid cases if they continued to maintain their wholly State-supported programs for federally ineligible cases. The special legislation passed by Congress in 1950, which has since been twice extended and now is sought to be extended again by H. R. 13549, has forestalled the enforcement of this Federal decree temporarily.

This, then, is the Missouri-Pennsylvania problem. How may it be solved permanently? We believe that the fairest and most feasible solution is to add a single sentence to clause (8) of section 1002 (a) of title X of the Social Security Act. Following the language of H. R. 12260, introduced during the present session by Representative Thomas B. Curtis of Missouri, the sentence would read:

"A State plan for aid to the blind shall not be required to meet the requirements of clause (8) if, in lieu thereof, it provides that the State agency, in determining need, shall take into consideration less of the other income and resources of the individual claiming aid to the blind than would be required to be considered under clause (8) or shall disregard more than the first $50 per month of earned income, or that the State agency shall pay a fixed sum to all individuals eligible for aid to the blind; but payments under section 1003 shall be made, in the case of any such plan, only with respect to expenditures thereunder which would be included as expenditures for the purposes of section 1003 if the plan met the requirements of clause (8)."

In substance this proposal would preserve to all the States their right to provide improved welfare programs for the blind financed wholly from State funds. It would permit Missouri and Pennsylvania to retain their distinctive aid plans, and would allow other States to adopt similar programs if they so choose. More specifically, the proposal would continue to measure by present standards the amount of each State's Federal grant, and do so on identical terms to all States. The definition of the means test contained in clause (8) of section 1002 (a) of the act would apply to all States for the purpose of determining the part of any State's expenditures that would be covered by the Federal grant.

However, this formula would impose upon the States no limitation or requirement on the permissible exceptions from the means test in the direction of greater liberality, in order to retain a title X Federal grant for federally eligible cases. But to prevent any attempt at circumventing the minimum standards of the Federal program by transferring recipients to a much less adequate State program, States would be permitted to increase but not to decrease the extent to which the recipients' earnings, income, or other resources may be excepted from the means test.

This proposal would make possible several positive accomplishments. It would restore a vital right of the States—the right to make their own decision whether or not to establish and support entirely from their own funds a more liberal program of aid to the blind than the Federal Government chooses to allow. It would preclude Federal interference with wholly State-supported programs for the blind on the ground that they are too liberal, thus permitting the States to experiment with various plans and to go as far as they wish beyond the minimum standards of the Social Security Act. Still more important, the proposed legislation would affirmatively carry out the purposes of self-support and re-

habilitation which have always been held by Congress to be a part of public assistance, by enabling more blind persons to make their way off the relief rolls, to put their productive years to maximum use, and thereby to become more useful citizens and contributing members of their community.

Finally, it should be plainly stated and clearly understood that since, by the provisions of this measure, the Federal Government would only provide participating funds for those individuals who would qualify under the present strict Federal definition of "need," the plan could not possibly increase by 1 cent the cost to the Federal Government. It would, in fact, provide, in time, a financial benefit to the Federal Government through the increased productivity of those persons stimulated to become self-supporting.

Furthermore, the legislation would bring the Federal ruling with respect to the Pennsylvania and Missouri programs into alinement with other Federal rulings. The State of Colorado, for example, has an old-age-assistance program which provides for eligibility at age 60 instead of age 65 as required by the Federal standards, with financing provided solely by the State with respect to all those between 60 and 65. Nevertheless, Colorado's program for the aged above 65 has received the approval of the Federal administrators. In California, there are no less than four groups of recipients of public assistance in whose payments the Federal Government does not share: Recipients of aid to partially self-supporting blind; recipients of aid to needy children in boarding homes and institutions; recipients of aid to needy children in the so-called mismanagement cases in which aid is paid in kind or under restrictions; and aged and blind recipients of aid who are patients in institutions for the mentally ill. The first group are ineligible for Federal funds because the income and property conditions of eligibility for the State program are too generous; the second, because the children involved are not being cared for in their own homes and by relatives of a specified degree of closeness; the third, because assistance is not in the form of an unrestricted money payment; the fourth, because of a specific exclusionary provision in the Federal Social Security Act. The public-assistance payments made to these various recipients are, therefore, derived entirely from State and county sources. Nevertheless, despite the presence in California of these totally State-supported public-assistance programs for federally ineligible cases, the Federal officials have not—as they have with respect to Missouri and Pennsylvania—held the State out of conformity with the requirements for Federal funds with respect to federally eligible recipients. On the contrary, Federal officials have given the federally ineligible programs in California their active, if not express, support by allowing them to be included within the new State-Federal medical-care program for public-assistance recipients.

For the reasons given above, we urge that this committee amend H. R. 13549 to provide a permanent and just solution to the very real problem which has been created for the blind people of Missouri and Pennsylvania.

It should be noted that the officials of the Department of Health, Education, and Welfare are opposed to this permanent solution of the Missouri-Pennsylvania problem. That opposition has received its most recent expression in a letter to the chairman of the House Ways and Means Committee from the Secretary of the Department. The basis given by the Secretary for his position is that the proposed solution, in effect, provides a permanent Federal subsidy to the federally ineligible State programs. Since this argument is so remarkable that it may not be believed that the Secretary would make it, it would, perhaps, be well to quote the exact language of the letter. If the proposed legislation should be enacted, the letter states, "the Federal Government would be, in effect, subsidizing and supporting pension programs for the blind on a permanent basis in the States that now have such, or in any State that subsequently wishes to establish one. The subsidy and support come about because the only way State pension programs for the blind can be maintained alongside of, or as an adjunct to, an aid-to-the-blind program under title X, without a considerable expenditure of State funds, is by diverting for Federal financial participation those cases in their pension programs which meet the income-and-resources requirement under the Federal act."

How can it be said that the Federal Government is "subsidizing and supporting" State programs when the Federal contribution is limited strictly to those cases which are eligible under the Federal act? Not one penny more is paid out by the Federal Government than would be the case if the State had no other program of its own. Not even the Department of Health, Education, and Welfare, be it noted, is able to maintain that the Federal Government bears any part

of the actual cost of the Missouri and Pennsylvania State programs. What is argued, rather, is that, without Federal participation in the federally eligible cases, the State would, perforce, need to spend more money on its blind program—and that, accordingly, in this peculiar sense, the Federal Government is indirectly supporting the independent and distinctive activities of the State. It should be immediately clear that, by this logic, the Federal Government is equally supporting all State programs and services, in every field of activity, whenever it contributes to one such program through joint Federal-State agreement.

The attitude of the Federal Department of Health, Education, and Welfare is, in this particular, as in others, in sharp contrast to that of the House Ways and Means Committee as set forth in the committee report accompanying H. R. 12540. The report consistently emphasizes the desirability of leaving to the States, as opposed to the Federal Government, broad latitude of discretion and choice in the implementation of the public-assistance provisions of the bill. Thus, the report states, for example, that, by one of its proposed changes, a State may decide the extent to which it wishes to pay for medical care by giving the recipient money to pay for his own care or by making a payment in his behalf to the vendor of medical care. Similarly, another provision of the bill "would enable the States to increase the payments to individuals receiving aid as needed or to give assistance to additional needy people." In other words, the State's right to exercise its choice in the administration of its public-assistance programs is given deliberate and unmistakable emphasis. Yet, under the Federal policy with respect to the Missouri-Pennsylvania plans, this same right of choice and option is categorically refused by the Federal administrators—even where a State is supporting a program entirely from its own funds and without Federal contribution.

Quite aside from this fundamental question raised by the policy of the Federal Department, the Secretary's letter misconceives the nature of the Missouri-Pennsylvania programs and misstates the purpose of the proposed Federal legislation. The proposed legislation, it is said, "would make it possible for the States to provide, either under 1 program or as 2 programs, assistance to needy and non-needy blind individuals * * *." This is simply not the case—unless the class of "needy" blind is restricted to those whose earnings are no more than $50 per month. As stated above, both Missouri and Pennsylvania set a maximum on the earnings of a recipient that may be exempted from consideration ($175 in the former State, $148.33 in the latter)—a maximum which, while more liberal than that permitted by the Federal act, still rests upon a definition of "need" entirely consistent with modern welfare conceptions of decency and health. One is forced to conclude either that the Department of Health, Education, and Welfare is misinformed about the basis of the Missouri-Pennsylvania plans or that it still adheres to the medieval definition of "need" as synonymous with total destitution.

Moreover, the position of the Federal officials is flatly contradictory of the self-support and self-care provisions written into the 1956 amendments to the Social Security Act. If self-support and self-care are recognized as needs to be met by the public-assistance program, and earnings and other income are, accordingly, devoted to meeting them, then these provisions of the separate Missouri and Pennsylvania plans are clearly within the overall plan of public assistance approved by Congress through the 1956 amendments. Thus, it might reasonably be contended that these State plans are, themselves, in conformity with the act. The solution we propose, however, does not insist upon that. It simply provides that the States should be allowed to support such programs entirely out of their own funds.

The Secretary, in his letter, also draws a mistaken inference concerning the purpose of legislation to provide a permanent solution to the Missouri-Pennsylvania problem. "In enacting the Social Security Act," he writes, "the Congress adopted the principle that the Federal Government would support aid to the blind as a program of assistance to the needy blind administered by the States. Congress decided against giving any support to blind-pension programs. The public-assistance titles of the Social Security Act are not based on a pension philosophy. We believe that is sound and should not be altered." The inference, clearly, is that the proposed solution calls for an alteration of this policy by asking Congress to give support to pension programs and to ignore considerations of need. But none of these inferential charges is true. Congress is not asked to give support to the State programs, but, on the contrary, is requested to leave them alone. The State programs do not ignore considerations of need. The proposed legislation does not contemplate or seek any alteration

whatsoever in the established Federal policy of public assistance. Once more it is necessary to observe that the Federal Department has either been seriously misinformed about the State programs, or has chosen, for reasons of its own, to disregard their actual provisions.

Self-support and self-care as purposes of public assistance

There are other respects in which H. R. 13549 requires improvement. It calls for a change in the matching formula, resulting in additional Federal money to all States for their blind-aid programs. While this is a desirable improvement, by itself, more money alone is not enough. In addition, Congress should now take affirmative steps to require Federal administrative officials to carry out and implement the constructive purposes underlying the self-care and self-support amendments of 1956.

In 1956, Congress amended the Social Security Act to provide a fundamental revision of the public-assistance programs. The addition of a new and constructive purpose, that of self-support, was made clear by section 300 of the amendments: "It is the purpose of this title * * * (b) to promote the well-being of the Nation by encouraging the States to place greater emphasis on * * * helping needy families and individuals attain the maximum economic and personal independence of which they are capable * * *." Strengthening this general declaration, new language was added to the purpose clause of each of the public-assistance titles. Section 1001 of title X, dealing with the blind, now states that Federal public-assistance grants are for the purpose of "enabling each State to furnish financial assistance, as far as practicable under the conditions in such State, to needy individuals who are blind, and of encouraging each State, as far as practicable under such conditions, to help such individuals attain self-support or self-care * * *."

That the new purposes of self-support and self-care were the policy and objectives of the Social Security Administration itself was made evident by Social Security Administrator Charles I. Schottland in presenting the 1956 amendments to the House Ways and Means Committee. Calling "for emphasis on the constructive aspects" of public assistance, Commissioner Schottland urged the incorporation of self-support and self-care provisions into the law: "We should make clear to States that this is a basic purpose of the programs and one in which the Federal Government stands ready to share financially just as it is ready to share in assistance payments." The proposal for Federal aid to the States for training programs to help them secure better qualified personnel was presented "as an integral and important part of a constructive overall approach." The special importance of such personnel in rendering self-support and self-care services was proposed to be given emphasis and recognition by listing it as a determinant of training allotments to be made to States. Further, Commissioner Schottland stipulated, if dependency is to be reduced or eliminated, much more must be known "about the causes of need and the most effective ways of meeting them." Accordingly, grants were to be provided to share the costs of research and demonstration projects, including those having a bearing upon the "prevention or reduction of dependency." Finally, the new medical-care program for public-assistance recipients was offered as "desirable in relation not only to their day-to-day needs for such care, but in relation to our intensified efforts to help them achieve self-support."

The subsequent report of the Senate Finance Committee on the 1956 Social Security Amendments also heavily emphasized the integrated nature and constructive purposes of the self-support and self-care, research and demonstration and training provisions. The amendments, said the report, "make clear that the provision of welfare services to assist recipients to self-support and self-care are program objectives, along with the provision of income to meet current needs." It was recognized that there are human as well as monetary values at stake: "Services that assist families and individuals to attain the maximum economic and personal independence of which they are capable provide a more satisfactory way of living * * *."

The 1956 amendments, thus, added the goals of self-support and self-care to the roster of purposes served by the public-assistance program. With the incorporation of these constructive features, Congress effectuated a transformation in the character of public assistance, and made plain its belief that the human need of the blind or disabled person to make his way as an active and contributing citizen of the community is no less important than his animal need for food and shelter.

Unfortunately, the clear commitment of Congress—and, at the time, of the Social Security Administration itself—to the new constructive purposes of self-support and self-care has not subsequently been shared by the Department of Health, Education, and Welfare in its administration of public assistance under the amended law. In plain fact, these objectives have been permitted to languish or have been frittered away through deliberate inattention. The Administration has chosen to interpret the new langauge of self-support in its narrowest possible sense, as involving no more than the provision of certain limited services, and, accordingly, has done nothing to implement the amendments other than to share the expense of expanding the staffs of State agencies. All other devices and forms of implementation, which are within the purposes and provisions of the law, have been rejected or ignored.

The most important and constructive of such proposals, the adoption of which would do much to fulfill the self-support purposes of public assistance for the blind, are those which would (1) provide for increased exemptions of earnings for all blind recipients, and (2) provide that, in the case of a blind recipient who has a reasonable plan for self-support, whatever amounts of property and resources may be necessary to carry out that plan shall be disregarded. The proposal of increased exemptions of earnings is necessary in order to preserve the incentive value of individual income, which is largely destroyed by the means-test system of public assistance. Under the system of "individual need, individually determined," in effect since the adoption of the Social Security Act, all earnings of the blind recipient must be applied to meet his subsistence needs as established in the individual budget. If the State grant is sufficient in amount to meet those itemized needs, it is then reduced by the amount of his earnings. In this manner, the blind recipient of aid has been severely penalized and harshly discouraged from any effort to free himself from the assistance rolls.

As early as 1950 Congress demonstrated its recognition of this onerous and self-defeating feature of the means test by providing for an exemption of $50 per month of earned income in determining the amount of monthly assistance. "Under title X of the Social Security Act," said the Senate Finance Committee in its report on the bill, "the States are required, in determining the need for assistance, to take into consideration the income and resources of claimants of aid to the blind. Your committee believes this requirement stifles incentive and discourages the needy blind from becoming self-supporting and that therefore it should be replaced by a requirement that would assist blind individuals in becoming useful and productive members of their communities."

The present $50 per month exemption of earnings, however, has proven to be only a short and inadequate step in the right direction. Even aside from its gradual reduction by inflation, it has allowed only a very few blind recipients to lift themselves into self-sufficiency by their own bootstraps. The formula we recommend—providing for a larger exemption of earned income up to $1,000 per year plus 50 percent of every earned dollar above $1,000, along with a gradnal reduction of aid payments as earnings increase—would greatly facilitate the transition from the relief rolls to complete self-support.

The second of these proposals, permitting income and resources (including property) to whatever extent necessary to be disregarded in the case of blind recipients possessing approved individual plans for self-support, would do much to advance the constructive purposes of public assistance. The retention of modest amounts of property and resources by the blind recipient of aid is a vital factor in encouraging commercial and professional plans for self-support and creating self-confidence and self-reliance despite the barriers to opportunity which exist for blind in our society. The instruments and materials of a workshop, the books and equipment of the lawyer and doctor, the merchandise of a commercial enterprise—none of these may presently be retained in necessary amounts under the law, but all represent potential means in the hands of the sightless individual in his struggle to carve out an independent career.

The feasibility of such proposals as these is graphically illustrated by a California program which has been in successful operation since 1941. The California aid to the partially self-supporting blind residents program permits every recipient to retain a maximum of $1,000 a year of net income without deduction from the maximum monthly grant of $110, plus 50 percent of all net income above $1,000. The sole restriction is that the recipient of aid must possess a reasonably adequate plan for his self-support, and must be able to demonstrate that he is carrying out that plan through genuine and consistent effort. That the program has been a success is demonstrated by the numbers of recipients

enabled to achieve self-support and thus to leave the aid rolls. By mid-1949, 8 years after the program was begun, 32 percent of the total recipients (316 out of 988) had become self-supporting either permanently or for varying periods of time. On an annual basis, upward of 10 percent of recipients of the California program are achieving a status of self-support. It is significant that for every recipient who attains permanent self-maintenance, the State saves an estimated $1,320 per year; thus, if the 84 persons who graduated from the rolls in 1957 manage to achieve complete self-sufficiency, California will effect a saving of almost $40,000 in public assistance.

In addition to these vitally needed improvements in the present program of aid to the blind, there are other changes which are scarcely less necessary and which would serve to bolster the progressive purposes of economic independence and personal rehabilitation forged by Congress in the 1956 amendments. One is the elimination of the legal liability of relatives to contribute to the support of blind-aid recipients, a medieval practice which contravenes the new emphasis of public assistance on strengthening family life and helping needy families and individuals to attain the maximum independence of which they are capable. Another needed change is the provision that public assistance be granted on the basis of equal minimum payments to all blind recipients, to be specified by State law and employed as a floor of protection against dependency. A third highly desirable improvement is the elimination of all length-of-residence requirements in State public assistance programs for the blind, which would implement the self-support objectives of aid to the blind by removing the discriminatory restrictions upon free movement now incorporated in the residence requirements of the various States.

Officials of the Department of Health, Education, and Welfare have also expressed their opposition to the proposal for additional exemptions of earnings for blind aid recipients. In a letter of June 16, 1958, to the chairman of the House Ways and Means Committee, the Secretary of the Federal Department strongly recommended against enactment of this proposal, primarily on the ground that it "would, in effect, result in a pension for the blind largely financed by Federal funds." The opposite, however, is true. If a pension be understood in its true meaning of a fixed and permanent payment, the present means-test system of aid—which prohibits all but insignificant earnings and thus perpetuates poverty—much more closely approximates a pension than the proposed policy of incentive exemptions which would reward initiative, gradually lower aid payments as earnings increase, and stimulate blind recipients to become completely free of public assistance.

The Secretary's letter declares further that "An essential characteristic of public-assistance programs is that need be determined on an individual basis, taking income and resources into account. * * * The exemption of more income * * * is inconsistent with the nature of the public assistance program as supplementary to the individual's resources and income and could increase pressures for exemption of income in the other public assistance titles." Leaving aside the last comment, which is entirely irrelevant to the merits of exempt-income proposals with respect to the blind, this statement displays a conspicuous disregard for the principle already established by Congress in the $50 per month exemption of earned income. It also demonstrates an equal disregard for the enunciated policy of Congress in incorporating self-support and self-care within the public assistance program as among the needs of blind recipients for which income and resources are to be taken into account. If the needs to be met by the public-assistance program are not merely those of bare survival but also of rehabilitation of the blind into normal life and livelihood, then it is clearly consistent with the law that the income and resources of blind recipients be utilized in the effort to achieve these ends.

That the Federal administrators simply do not share the view of Congress that blind people can and should be helped to become useful and productive members of the community is suggested by the flat and unqualified assertion of the Secretary of Health, Education, and Welfare that "The majority of blind persons have no earnings or hope of earnings." No doubt, under the harsh system of means-test aid so jealously guarded by the Federal Administration, blind persons are permitted virtually no earnings or hope of earnings. But it is precisely the recognition that this condition is an effect, rather than a cause, of the public-assistance program that has led to demands both in and out of Congress that the interpretation of individual need be modified so as to render feasible the goals of rehabilitation and self-support for blind persons receiving aid. It

is noteworthy—and surely deplorable—that the very Department of the Federal Government which is responsible for the administration of a comprehensive program of vocational rehabilitation of the physically handicapped, as well as the programs of public assistance, should hold the contemptuous belief that the majority of sightless persons are beyond hope of personal and economic independence.

Disability insurance provisions of H. R. 13549.

We wish to commend the House Ways and Means Committee for the improvements in the old age, survivors, and disability insurance system which it has incorporated into H. R. 13549, and to express our support particularly for the new provisions for disability protection, including benefits for dependents of disability insurance beneficiaries, elimination of the disability benefits offset provision, retroactivity for applications for disability benefits and the disability freeze, and modifications in the work requirements for eligibility for disability protection.

We submit, however, that there are still other areas of inequity in the protection against disability which require the attention of Congress. Three of these in particular are of immediate urgency: (1) The need for provision of disability benefits to blind persons with a minimum of 6 quarters of coverage under the disability insurance system, without regard to their earnings after establishment of eligibility and the commencement of benefits; (2) the need for elimination of the 50-year age limitation in order to provide true social insurance for all disabled workers regardless of age; and (3) the need for a more realistic definition of disability under the current program and for a drastic reduction in the coverage requirements establishing minimum qualifications for eligibility to receive disability benefits.

With your permission, we should like to incorporate in the record 3 resolutions dealing with the above matters which were unanimously approved by the annual convention of the National Federation of the Blind, Inc., on July 7, 1958.

RESOLUTION 58-06

Whereas there is a great need for a liberalization of the definition of disability applied to applicants for disability benefits under the current disability insurance program and for a drastic reduction in the coverage requirements establishing minimum qualifications for eligibility to receive disability benefits; and

Whereas there should be included in the disability definition the wholly rational and realistic provision that an individual with a medically determinable disability shall, in the absence of substantial evidence to the contrary, be deemed to be unable to engage in any substantial gainful activity if, solely by reason of having such an impairment he is unable, as a practical matter, to obtain employment; and

Whereas provision should be made to enable individuals with a medically determinable disability and a demonstrable inability to find employment because of the existence of the disability to become eligible for disability insurance benefits if they have six or less calendar quarters of coverage under the disability insurance system: Now, therefore, be it

Resolved by the National Federation of the Blind in convention assembled, at Boston, Mass., this 7th day of July 1958, That this convention finds and declares these changes to be in the best interests not only of blind persons but of all physically handicapped individuals; and that the officers of this organization and its affiliates are urged to press for legislation to carry out the liberalized definition of disability and a reduction in the period of coverage required.

RESOLUTION 58-05

Whereas the disability insurance provisions of the Social Security Act initiated by Congress in 1956 deny disability benefits to otherwise eligible persons who have not attained the age of 50 years; and

Whereas restriction of benefits to persons who have reached age 50, but who have not yet attained the age of 65, confines the disability insurance program to characteristics better resembling an early retirement system than a provision for social insurance against the hazards of disability which may be faced by people of any age; and

Whereas a minimum age provision is indefensible in a disability insurance program when it deprives individuals under the minimum age of benefits even though they may have made, over their working lives, contribution to the disability trust fund far in excess of the minimum needed to qualify for benefits; and

Whereas it is now generally recognized that the requirements for eligibility for disability payments are too restrictive and, therefore, the disability trust fund has accumulated a large surplus: Now, therefore, be it

Resolved by the National Federation of the Blind in convention assembled at Boston, Mass., this 7th day of July 1958, That this convention strongly endorses the elimination of the 50-year age limitation in order to make the program fulfill its original intent to provide true social insurance for disabled workers.

THE NATIONAL FEDERATION OF THE BLIND, INC., BERKELEY, CALIF., RESOLUTION 58-07

"Whereas there is urgent need that individuals with severe impairment of eyesight who have been medically determined to be blind should be eligible for disability insurance benefits if such individuals have a minimum of six quarters of coverage under the disability insurance system of the Social Security Act; and

"Whereas benefits should be due and payable to such disabled individuals who are blind without regard to the level of earnings which individuals receiving such benefits are able to achieve at any time following the establishment of eligibility and the commencement of benefits; and

"Whereas such a system would provide to the blind a basic protection from the threat of poverty and deprivation while at the same time the system would enable and encourage recipients of benefits to make their way in the world as productive and useful human beings: Now, therefore, be it

Resolved by the National Federation of the Blind in convention assembled at Boston, Mass., this 7th day of July 1958, That it is the conviction of this convention that the loss of financial security, which in our time is still the gravest accompaniment of blindness and the greatest impediment to the attainment of full and rewarding lives by our fellow blind, would in very significant measure be removed by a system which would provide disability benefits to blind persons who have a minimum of six quarters of coverage under the disability insurance system and without regard to the level of earnings achieved after the establishment of eligibility and the commencement of benefits."

The foregoing resolution was adopted unanimously by the National Federation of the Blind convention on July 7, 1958.

(Mr. Taylor subsequently submitted the following for the record:)

MEMORANDUM RE EFFECTS OF SECTION 204 OF H. R. 13549

Under section 216 (I) (3) of the present social-security law, in order to be eligible for a determination of disability (disability freeze) the applicant must have 6 quarters of coverage out of the last 13 and 20 quarters of coverage out of the last 40. Under section 223 of the present law, to qualify for disability insurance benefits, a person must have the same quarters of coverage, and, in addition, he must be fully insured as defined in sec. 214). This means in most instances that he must have 1 quarter of coverage for every 2 quarters elapsing since Sept. 1, 1950, or since he became 21 years of age, whichever occurs later.

Section 204 (a) of the bill changes the requirements for disability freeze so as to eliminate the requirement of 6 quarters out of the last 13, but it also adds the requirement of fully insured status, or 1 out of every 2 quarters since Sept. 1, 1950, or since attaining 21, whichever occurred later. Section 204 (b) changes the requirements for disability insurance benefits so as to eliminate the requirement of 6 out of the last 13 quarters.

The report of the House Ways and Means Committee on the bill explains this change thus: "Your committee's bill would delete the provisions of present law which require that a worker be currently insured in order to be eligible for disability benefits or for the disability freeze and would make the requirement for disability insurance benefits and the disability freeze alike by adding fully insured status as a requirement for eligibility for the freeze."

The justification for the addition of fully insured status as a requirement for eligibility for the disability freeze is given by the committee in the following words: "Beginning in July 1961, it will be possible for a worker who has

qualified for the disability freeze under the present provisions to fail to qualify for either disability insurance benefits at age 50 or old-age insurance benefits at age 65 because he may not be fully insured. There will be instances too where dependents' or survivor's benefits will not be payable even though the worker had been allowed a disability freeze. The addition of fully insured status requirement for the disability freeze will remove the anomalous situation wherein a period of disability may be established for a worker who cannot later qualify for benefits, whose dependents cannot qualify if he lives to retirement age, or whose survivors may not qualify if he dies."

However, there are situations in which allowing a worker to establish a disability freeze without fully insured status would be of benefit to him. The freeze may enable him to acquire a fully insured status which he did not have at the time of the freeze. Such instances will occur in the case of a worker who becomes blind. For freeze purposes, section 216 (i) (1) (B) defines "disability" as blindness without any further requirement that there be inability to engage in "substantial gainful employment." Under section 214 (a) (2) a quarter is not counted as an elapsed quarter for the purpose of establishing fully insured status if it occurs in a period of disability unless such quarter is a quarter of coverage.

A hypothetical case will show how adding the requirement of fully insured status in order to qualify for a freeze will prevent a blind worker from qualifying for benefits which he could otherwise obtain. Suppose that worker X, who had passed his 21st birthday before September 1, 1950, obtained no covered employment until January 1, 1957. From this date through 1959 he is employed full time in covered employment (12 quarters). During the years 1960 and 1961 he is unemployed. During the years 1962 and 1963 he returns to covered employment (8 quarters). He then loses his sight and in July of 1964 applies for the disability freeze. Under present law he is eligible having both 6 out of the last 13 quarters and 20 out of the last 40. Under the bill he is not eligible because he is not fully insured.

Suppose next that X is rehabilitated and placed in a noncovered sheltered shop. He starts work there in July 1964. On January 1, 1966, he again enters covered employment where he works for the succeeding 16 quarters. In January 1970 he attains age 65 and applies for retirement benefits. Without the freeze, he would not be eligible for such benefits because he would need 1 out of every 2 quarters since Sept. 1950, or 38 quarters. He was only 36. However, he has been able, as under present law, to establish a freeze covering the 6 quarters following July 1, 1964, he would then need only 35 quarters of coverage.

Accoringly, it is not valid to assume, as the committee report does, that no disabled persons will be deprived of benefits by reason of the addition of the requirement of a fully insured status for the disability freeze. For some blind persons the committee's assumption is invalid. The removal of the requirement of currently insured status is an improvement. The addition of the fully insured requirement for the disability freeze, however, will harm certain blind persons and, in addition, will reduce the numbers of applicants for disability determinations and thereby reduce referrals for rehabilitation services.

Senator LONG. Mr. William Taylor, Jr.

STATEMENT OF WILLIAM TAYLOR, JR., PENNSYLVANIA FEDERATION OF THE BLIND

Mr. TAYLOR. Members of the committee, my name is William Taylor, of 10 South Avenue, Media, Pa. I am an attorney engaged in the practice of law.

I appear here on behalf of the Pennsylvania Federation of the Blind, a nonprofit corporation with a dues-paying membership of over 4,000 members.

We are affiliated with the National Federation of the Blind and are in full accord with its policies and plans.

I appear here to address myself especially to the section 509 of H. R. 13549, extending the 2-year cutoff date for Federal reimbursement to Pennsylvania.

As the law now stands, these funds will be discontinued on June 30, 1959. Odd though it may seem, we of Pennsylvania are not asking for Federal money, but merely that the Social Security Administration be prohibited from endeavoring to coerce the Legislature of Pennsylvania to deprive 10,100 blind persons of their pensions.

I repeat, we are not asking for money, but we plead for the protection of these 10,100 blind Pennsylvanians.

Pennsylvania has a very unusual and very liberal pension plan and pays a flat monthly pension of $60 to 17,500 blind people.

Under the amendment of the Social Security Act of 1950, the Federal Government pays in part toward the pensions of 7,400 of these recipients, the Federal contribution being about $3¼ million a year and Pennsylvania's share is a little over $2 million a year.

These 7,400 are so utterly destitute as to come within the Social Security Administration's definition of need.

Hence, they receive reimbursement toward their pension. However, there is a marked difference between Pennsylvania's position and that of the other States.

Pennsylvania's standards of eligibility are far more liberal than those approved by the Social Security Administration, and, therefore, these 10,100 blind receive their pension which is paid solely and exclusively by the Commonwealth with its own funds.

Now, the quarrel between Pennsylvania on the one hand and the Social Security Administration on the other comes down to this incredible fact: The Social Security Administration says to Pennsylvania, "Unless you stop paying with your own money for the pensions of these 10,100 blind who are in certain circumstances, we, the Social Security Administration, will cut off your reimbursement to those 7,400 totally destitute blind."

The Social Security Administration is not concerned here with saving Federal money, not in the least.

They have their theories as to how aid to the blind should be administered, and so far as the money which they pay out is concerned, they probably have a right to make the decision.

But that is not our problem here, for they are demanding that Pennsylvania cease spending its own money for the relief of certain of their citizens who do not come under the social-security program.

Unless the restraint upon the power of the Social Security Administration contained in the amendment of 1950 is extended, it will end on June 30, 1959, and the Social Security Administration will cut off Pennsylvania's payments to the 7,400 destitute blind, and this will be done with the intention and for the purpose of exerting upon the legislature enough pressure to force the repeal of our purely State-paid-for pension to the 10,100 blind.

We heard this morning a great many statements by those gentlemen attesting to their devotion to States rights. It is hard to think of many more drastic incursions upon States rights than the one we have right here.

It is an old quarrel. It has been going on since 1938, and, when Senator Martin was our Governor, he helped us a good many times to save the blind pension from the attacks of the Social Security people.

They don't like our theory and they are out to force us to drop the pensions for these 10,100 people. We, of course, hoped that the law

could be so amended as permanently to prohibit the Social Security Administration from carrying out its mischievous plans of inflicting needless misery upon 10,100 blind Pennsylvanians, and to do so merely to vindicate their doctrinary theory.

However, we understand that the press of legislative business may preclude a permanent solution of this vexing and recurring problem. Therefore, I can state on behalf of 10,100 blind of my State that we would be grateful for this 2-year reprieve as set forth in this bill for at least the evil day is postponed for just that much longer, and there will be more time in which to make clear to the Social Security Administration what a cruel and wicked thing they are seeking to accomplish.

We are convinced that the Congress will resolve this controversy in such a way as to prevent the infliction of unnecessary misery upon 10,100 blind people in Pennsylvania even if the Social Security's pet theory must suffer thereby.

I thank you, gentlemen.

Senator LONG. Thank you very much.

(The complete statement of Mr. William Taylor is as follows:)

STATEMENT OF WILLIAM TAYLOR, JR., ON BEHALF OF THE PENNSYLVANIA FEDERATION OF THE BLIND IN SUPPORT OF H. R. 13549, INTRODUCED BY MR. MILLS

My name is William Taylor, Jr., an attorney of 10 South Avenue, Media, Pa., and this statement is submitted on behalf of the Pennsylvania Federation of the Blind, a nonprofit organization with its principal office at 4517 Walnut Street, Philadelphia, Pa., with a dues-paying membership of over 4,000 blind people. I am chairman of the legislative committee of that organization, and neither I nor any of the officers receive any compensation.

We strongly urge that the Senate adopt this bill to forestall the present and existing danger that some 10,100 blind Pennsylvanians will lose their pensions next year. The relevant facts of the matter are:

1. On June 30, 1959, the provision of the social-security law which entitles Pennsylvania and Missouri to partial reimbursement of funds expended for aid to the blind will expire, and this bill now under consideration would continue this cutoff date. It is our fear that withdrawal of Federal funds will oblige the State legislatures to repeal the pension laws.

2. Pennsylvania pays a pension to approximately 17,500 blind persons.

3. The Federal Government makes part payment toward the pensions of some 7,400 of these recipients.

(*a*) Total cost of pensions of these 7,400 equals $5,340,000 of which the Federal Government pays $3,261,000; Pennsylvania pays $2,079,000.

4. The Commonwealth of Pennsylvania alone bears the entire cost of paying pensions to the remainder, approximately 10,100.

5. The Federal Government contributes toward the pensions of the first group because those individuals are so lacking in income and resources as to qualify under a program conforming to the rules of the Social Security Administration.

6. Pennsylvania does not receive Federal funds toward the pensions of the latter group of 10,100 recipients because their income and resources are such as not to meet the "needs test" upon which the Social Security Administration insists in order that a State plan be approved.

(*a*) Pennsylvania expends for this latter group $7,239,000 entirely of its own funds.

7. Pennsylvania has a total population of some 11 million and pays pensions to some 17,500 blind.

8. The States of New York, New Jersey, Delaware, Maryland, West Virginia, and Ohio have a combined population of some 36 million (see U. S. Department of Commerce, Bureau of the Census) and all together they pay assistance to some 10,000 of their blind citizens under programs approved by the Social Security Administration.

9. The vital statistics pertaining to these six States and Pennsylvania, as published by the United States Government, reflect substantially identical distribution among their populations of the various occurrences, illnesses and acci-

dent. Viz, the death rate, birthrate, the ratio of deaths caused by accident, and by the prevalent diseases vary only slightly from State to State.

10. Although there are no exact statistics as to the number of blind in the United States or any of the States, in view of the uniformity of the incidences of diseases, etc., it is reasonable to assume that the ratio of blind to sighted populations in all seven of these States is roughly constant.

11. No evidence or statistics have ever been adduced to prove that the ratio of blind to sighted is higher in Pennsylvania than in those other six States.

12. If Pennsylvania were to repeal its pension law and to adopt in its stead an assistance program applying the rules and standards as are required by the Social Security Administration, some 10,100 blind who now receive the pension would cease to receive blind assistance.

13. If these 10,100 blind were to lose their pensions, no Federal funds would be saved, as this group receives its pensions exclusively from the Commonwealth of Pennsylvania.

14. The Pennsylvania law provides for the payment of a pension to blind people of $60 a month, subject, however, to the proviso that recipient's total income, from pension and other sources, may not exceed $2,500—in brief, if the income from other sources exceeds $1,780, the pension is adjusted to prevent the total from exceeding the limit. Moreover, one with real or personal property exceeding $5,000 in value, is not eligible.

15. This law gives the recipient the security arising from regular receipt of a sum certain; it gives the sense of self-respect inherent in receiving aid from the State under law and not at the sufferance of an administrator and gives to those able to work the opportunity of bettering their standard of living by earning a modest income.

16. The Pennsylvania blind pension runs counter to the theories which the Social Security Administration champions and seeks to make uniform throughout the United States.

17. The objection of the Social Security Administration to the Pennsylvania blind pension rests solely upon the fact that our State pays pensions, with its own funds, to some 10,100 blind people who according to social security standards would not be entitled to receive any assistance.

18. In brief, nothing is here involved more than a conflict of theories as how best to provide aid for the blind.

On behalf of the blind of Pennsylvania, I take this opportunity of expressing our gratitude for the unanimous, bipartisian support by the members of the Senate and House of Representatives from Pennsylvania and Missouri.

Senators Clark, Martin, Hennings, and Symington have introduced a bill to correct this situation, S. 1080.

Congressmen Simpson and Eberharter have by their long and loyal labors demonstrated their steadfast concern for the welfare of the blind and for this we express our heartfelt appreciation.

Senator LONG. The chairman had asked me to insert at this point in the record a letter from the Honorable Edward Martin favoring this provision of H. R. 13549, which is identical to a bill, S. 1080, which he introduced previously.

(The letter from Senator Martin follows:)

UNITED STATES SENATE,
COMMITTEE ON PUBLIC WORKS,
March 21, 1957.

HON. HARRY FLOOD BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR HARRY: You may remember that on February 7 I cosponsored a bill with Senator Hennings, of Missouri, and others, which affects the aid to the blind program in the States of Pennsylvania and Missouri.

This is a matter that comes up periodically. The committee last considered it in connection with the social security amendments of 1956. At that time, an amendment to H. R. 7225, submitted by Senator Hennings, was rejected by the committee on the grounds that the particular provision in the law would not expire before June 30, 1957. In the intervening time it has been assumed that we would be able to make a satisfactory adjustment of the problem.

The department of welfare in the State of Pennsylvania and also many individual blind persons have written to me urging consideration as promptly as

possible. As you know, the exemption granted to Missouri and Pennsylvania from the restrictions imposed under the Federal law went into effect in 1950, and has been extended from time to time to the present expiration date.

I will appreciate it very much if consideration of S. 1080 could be given by the committee sometime in the near future.

With kindest personal regards, I am

Very sincerely,

EDWARD MARTIN.

P. S. I realize we would not be likely to take any action on a social security bill until a House bill received attention. Since dictating this letter I have been advised that a 2-year extension measure H. R. 3035 has been reported by House Ways and Means.

Senator LONG. Our next witness is Mr. George T. Fonda.

STATEMENT OF GEORGE T. FONDA, BOARD OF DIRECTORS, NATIONAL ASSOCIATION OF MANUFACTURERS, ACCOMPANIED BY LEONARD J. CALHOUN, CONSULTANT; AND RALPH ROBEY, ECONOMIC ADVISER OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. FONDA. I agree with you, sir.

Mr. Chairman, my name is George T. Fonda. I am a vice president of Weirton Steel Co., Weirton, W. Va., a member of the board of directors of the National Association of Manufacturers, and chairman of its employee health and benefit committee. I am appearing on behalf of this association.

I have with me Mr. Leonard Calhoun, attorney, of Washington, who is the consultant and adviser in social security matters of the association, and Dr. Robey, who is the economic adviser of the association.

The NAM is a voluntary membership organization of over 21,000 member companies, representative of every segment of the manufacturing community and every section of the Nation.

Its membership includes companies of every size, from the smallest to the largest of enterprises. In fact, 83 percent of the association's members employ fewer than 500 persons and thus come within the generally accepted definition of small business.

As businessmen and citizens, NAM members are concerned with the financing and benefits of our public programs which are designed to provide a measure of security to individuals against the economic hazards of old age, death, disability, and involuntary unemployment.

They are likewise concerned with the implications of these programs to the well-being of our country.

There have been no hearings on H. R. 13549. There have been only very broad hearings on social security. As we stated when appearing before the Ways and Means Committee, those hearings were "not for the purpose of obtaining views on the merits of any specific bill or bills among the more than 400 pending before that committee.

"Instead, the notice indicated that the committee intends these hearings to afford a basis of reviewing the operations of the several social security programs and to receive recommendations for further changes."

As we further pointed out at these hearings, "the committee's press release stated that the 'chairman emphasized that, due to the short time available and the advanced status of this session, it might not be pos-

sible to act on all the proposals on which testimony is presented, but that the testimony would be available for study and a possible basis for action during the next session.'"

FINANCIAL SAFEGUARDS

Congress recognized the key importance of sound financial principles in 1956 when it established a separate trust fund and separate financing for the disability benefits. Most important was the recognition of the need for careful study before making changes in OASI when it likewise provided for periodic creation of advisory councils on social security financing.

Subsequent developments have attested to the need for this council, with the duty, to quote from the report accompanying the bill, "to review the status of the old-age and survivors' insurance trust fund in relation to its long-term commitments."

The NAM, and we believe, the country as a whole have been reassured of the financial integrity of OASI by these several actions in creating these financial safeguards, and even more importantly, by the implied commitment of the Congress to be governed by them.

Recent developments have demonstrated the need for such periodic review. Forecasts of future receipts and costs of OASI cannot be exact. They must be based in part on assumptions of future payrolls and individual elections to retire, which in turn, importantly depend on future economics and other factors.

This has been impressively illustrated by the differences in the short-range estimates of the 1957 and 1958 reports of the OASI trustees.

The latter reflects current economic changes. While the estimates for the fiscal year ending June 30, 1957, made in the 1957 trustees' report, estimated that total receipts would exceed total disbursements by $872 million, the actual increase was $436 million less.

While that report estimated that in the fiscal year just ended, receipts would exceed disbursements by $366 million, the 1958 report recently filed estimates that there is a deficit of $428 million—a difference of $794 million.

While the 1957 report estimates that in the 12 months beginning this July 1, the trust fund may increase by $1 million or may decrease $710 million, the 1958 report estimates that it will decrease by $1,129 million.

This new, and probably more realistic report, estimates that even with the 1960 tax increase, the trust fund at the end of June 1962 will have suffered a net loss, which will range from $1.5 billion to $7.4 billion for the 5 years ending June 30, 1962. That is the situation under present law.

The most thought-provoking figures in the trustees' reports are those showing the progressive increases in benefit payments.

Disbursements for the fiscal year ending last June, were greater than the total expenditures for the 2 fiscal years ending June 1955.

But the expenditures for fiscal 1961–62 are estimated to be far greater—$2 billion to some $2.9 billion greater. The estimated expenditure is from $9.9 billion to $10.7 billion.

This exceeds for 1 year the $9.7 billion spent in the 2 years ending in June 1956. To keep the system sound, we shall have to pay some

$10 billion to $11 billion in payroll taxes in that 1 year without any liberalization of existing law.

These figures seem to be especially pertinent to the question of acting this year on proposals to liberalize benefits. We are deeply appreciative of the pressure for immediate action on the basis of increases in the cost of living since the 1954 amendments when benefits were last liberalized.

We all know that inflation has resulted in difficulty for many fixed income groups, including, of course, recipients of private pensions and OASI benefits.

Liberalizing benefits involves fiscal problems, and the equity problem of further taxing the young to benefit the old. It also involves questions of equity between current beneficiaries themselves.

The persons who have come on the rolls since the 1954 amendments have fared much better than those who were already on the rolls at that time. The Social Security Statistical Bulletin for 1954 states that—

> the average old-age benefit awarded under the 1954 amendments was $66.86, an increase of $9.88 from the average amount awarded in 1954 under the 1952 amendments * * *. For old-age benefits * * * awarded * * * to beneficiaries eligible for the "dropout" (of unfavorable years) the maximum benefit of $96.50 was payable in 35 percent of the cases.

Table 24 of the statistical supplement for 1956 showed average awards of $75.40. Currently, the awards are still higher than the 1954 and even the 1956 figures indicate though recent benefits are lowered by the unusual number of women retiring, many at reduced rates for earlier retirement.

At the end of 1954, the average old-age benefit in current payment status was $59.14—with 3,775,134 beneficiaries.

In January of this year, it was some $5 more, with 6,197,500 beneficiaries—many of whom were on the the rolls in 1954.

The average for those coming on since 1954 has been much more than $5 above benefits of those on the rolls before then.

This substantial variance in benefit levels presents very important considerations of equity between those on the rolls before 1954 and those subsequently coming on the rolls when you consider the presently proposed upward adjustment of benefits. The present proposal disregards these equities.

PROPOSALS TO EXPAND THE WAGE BASE ABOVE $4,200

The pending bill would increase the wage base from $4,200 to $4,800 and extending the benefit formula to $4,800. This change in base alone with increased benefit costs very little in the first few years. In the absence of provisions for dropouts in future years, it would be practically impossible for persons to average $4,800. The immediate net resutls of the coverage woull be to bring in considerable revenue. According to the Social Security actuary, without increasing the tax rate there would be a net addition to the fund of some $395 million next year, $545 million the ensuing year.

Benefits later on would be substantially increased as persons gradually built up wage averages above $4,200. We question the equity or wisdom of making this change.

It would seem highly questionable to broaden the wage base for the purpose of helping to presently finance benefit increases. It is not compatible with the general concepts of the system to levy the tax on wages between $4,200 and $4,800 for this purpose.

Whatever decisions are made with respect to extending the wage and benefit base should be determined on the merits of the proposal as related to the higher earnings groups concerned—not on the basis of obtaining revenues to increase benefits of other people.

In making any decision as to increasing the wage base, it would seem essential to examine carefully the implications of this action. We are all perhaps agreed that the conception and purpose of the OASI system itself requires some limit on both the maximum benefit it will pay and the maximum pay it will tax.

The fundamental question is what level the maximum benefit should be and what earnings level should entitle the earner to this benefit.

All students of the history of the system remember that the original proposal in 1935 was to pay maximum benefits to a person who earned $150 per month. Persons earning more than $250 were to be excluded from coverage.

Instead, Congress decided to cover them, but to limit the tax base to $250 per month—the basis of establishing the original $3,000 wage base—solving an administrative problem which would arise if people went into and out of coverage depending on their wages.

Again, we should face this wage-base issue, not on the basis of what was done in 1935 or in 1950 or in 1954, but what we feel is now compatible with OASI's basic purposes. Without question, $4,200 per year is typical of the average gainfully employed person—$4,800 is not. It is our position that the maximum benefit should be paid to the $4,200 man.

It is appropriate in this connection to point out that there should be no departure from the "basic floor of protection" concept. The present tax base and benefit ceiling are adequate under that concept.

We feel that the limiting point of Government benefits is critically important as it marks the point where the individual must rely on his own efforts and thrift, which, in the aggregate, is a vital basis of our economic system.

We would like to remind the committee that the best interests of our people and likewise the national interest is served by unflagging respect for and adherence to, the all-important doctrine of the dignity, responsibility, and sovereignty of the individual.

Employers, unions, and especially government should foster at all times, in all ways, the freedom of the individual action and initiative in the planning of a career, in the fulfillment of each cherished aspiration, and in the management of the fruits of personal accomplishment.

Compelling an individual to pay taxes to support benefits in social programs is justified only to the extent required to insure that he and his dependents will not become dependent on public charity.

Protection beyond this point should be a matter of individual choice—not compulsion. It is a matter of personal freedom which no law should abridge.

PAY AS YOU GO

On former occasions, when the system was revised, much additional revenue was immediately secured by extending coverage to millions

of new social-security taxpayers, none of whom could expect any benefits for some time. This new revenue masked the fact that benefit expenditures were growing very rapidly and, except for the new coverage, would have shortly required tax adjustments.

In sharp contrast with these former occasions, we are presently faced with a substantial current deficit and much larger prospective deficits. The trustees' report shows that even in 1962, when taxes are scheduled to increase, disbursements may still exceed income.

As I shall point out, the pending bill, while levying higher taxes, would use the bulk of the additional revenues for higher benefits and would at most tend to reduce this deficit rather than wipe it out.

The prior situation, whereby through extension of coverage, substantial revenues were brought in without any immediate substantial increase in benefits, no longer exists—for coverage is now almost universal, excluding no substantial groups other than civil servants and doctors.

The National Association of Manufacturers has long favored pay-as-you-go financing, with a reasonable reserve to meet economic situations such as we presently face.

But it is one thing to draw on the reserve to meet what we hope is a temporary recession, and quite another to add permanent and increasing financial commitments to the system.

BENEFIT INCREASES

On reviewing the proposed benefit increases of H. R. 13549, particularly in view of the current deficit situation, NAM members have been deeply concerned. I should like to give a few figures as to what has been happening and what we face if there is to be not only the natural growth in OASI benefit costs, but what can be described as the preelection political increases as well.

After the 1950 amendments—assisted by the 1952, 1954, and 1956 amendments—benefits increased from $1.9 billion in 1951 to $7.3 in 1957.

What do we face in the similar period 1959–65? The 1956 estimates indicate benefits of $10.5 billion for 1965. Estimates of the current bill are for $12.3 billion—this is an increase of some 17 percent over the 1956 estimates—far above the estimated 7 percent increase of the amendments; when we examine the realities of estimated and actual expenditures for 1957, we find that instead of the estimated $6.83 billion for that year, actual expenditures were $7.35 billion.

Estimated contributions were $7.26 billion, actual $6.83 billion. So there would be no reason for surprise if both the 1956 estimate and current bill estimates for 1965 may not also be very much larger than estimated, and the actual expenditures for 1965 a billion or so dollars, or more, above these estimated.

Likewise estimated future receipts may again turn out to be seriously overestimated. We could then be currently and deeply in the red. We simply do not know.

Shortly after the 1956 amendments actuarial cost estimates were prepared for the Committee on Ways and Means, dated July 23, 1956. These showed, page 14, 1956 contributions of $6,747 million and 1957 contributions of $7,259 million.

But the actual contributions, according to page 36 of the Ways and Means Committee report accompanying H. R. 13549, were $6,172 million for 1956—$575 million less than was estimated.

Contributions for 1957 were $6,826 or some $433 million less than was estimated. Another large difference in estimates was for benefit payments. These were estimated at $6,829 million, but the actual payments were $7,347 million—some $518 million more than estimated.

The 1956 estimates showed the trust fund to be $23,786 million at the end of 1957. The actual balance is shown in the current report as $22,393 million—$1,393 million less.

We have no basis for believing that the estimates accompanying H. R. 13549 for 1958 and ensuing years will turn out to be any more accurate than the ones made in 1956 proved to be for that year or for 1957.

It was estimated in 1956 that contributions for 1958 would be $7,336 million. It is presently estimated that they will be approximately the same—$7,297 million. This figure is some $471 million larger than was the actual for 1957. Why it should be any larger, if as large, is certainly not demonstrated.

Even with this big estimated increase in contributions, the current estimate shows the trust fund at the end of next year at $20,971 million—while the 1956 estimate showed that it would be $24,537 million. If the trust fund actually turns out to be this current figure, it will be $3,566 million less than was estimaed 2 years ago.

There is one point certain—current operations are very seriously in the red, and in the face of that, the current bill proposes to greatly increase benefits.

If we look to the current estimates, these indicate that there is to be collected from employers, employees and the self-employed next year under the new tax schedule $1.8 billion more than the $6.8 billion collected in 1957.

That is a more than 26 percent increase in the old-age and survivor tax burden. This raises three questions: (1) Will this huge increase actually be realized; and (2) what this burden will do to the general income taxes on business and to the price levels; and (3) what will it do to business which has been looking hopefully to tax relief.

There is a fourth question. What does it do to the young person raising a family and making $4,800—whose social security taxes as presently scheduled will be $94.50 in 1959 if he is an employee and $141.75 if he is self-employed?

The answer to this question is mathematically simple. His taxes if he is an employee will be increased in 1959 to $120, if self-employed, they will be increased to $180—in either case almost 27 percent.

These are the hard realities of the situation—higher and more burdensome contributions, scheduled for after the coming election, and an increase in benefits effective for the month of the election.

According to the current estimates even these increased taxes will be insufficient. The trust fund, it is estimated, will be $21.6 billion at the first of next year and less than $21 billion at the end.

As I have stated, there is certainly no reason judging from the 1956 estimate, to believe that the deficit will be this small—it may prove to be a billion more.

ADVISORY COUNCILS

Action at this time liberalizing benefits and increasing taxes would be inconsistent with your 1956 action. The Committee on Social Security Financing, established pursuant to your legislative mandate in 1956, has not completed its work.

Furthermore, it seems appropriate that the Secretary's suggestion be acted upon of establishing a new Advisory Council to review the system's benefit structure and other major questions. As he stated, "such a study now also would have the benefit of the findings of the Advisory Council on Social Security Financing."

OVERALL STUDIES OF BENEFITS

Such an Advisory Council could and should study the Federal grant program for sharing costs of State public assistance systems. It could furnish thoughtful and well-documented answers to questions which I understand have been raised by committee members at the current hearings—for example, whether the variable grant approach based on relative per capita State incomes to the per capita income of the United States should be adopted in lieu of the present formula.

PUBLIC ASSISTANCE PROBLEMS

Besides its work on the benefit structure of OASI, the Council, like preceding councils could and should go into the programs, purposes and Federal grant structure of public assistance.

Public assistance programs are being increasingly financed by Federal grants under the provisions of the Social Security Act. Over the last 20 years, there has been recognized interrelations between the public assistance programs and the OASI program.

Historically, OASI was adopted as an alternative to the otherwise expensive development of public assistance. Both programs have been developed to the end of meeting the dependency problem of destitution among the aged, the blind, the otherwise permanently disabled, and the problem of dependent children.

The present situation, for better or worse, is that many individuals are benefit recipients under both program, and there has been a lack of clear definition, both of the respective roles of these programs and of the role of the Federal Government and the States in the public assistance program. The new Advisory Council should explore these areas.

There are, as the committee knows, basic questions respecting the appropriate Federal and State roles in the field of public assistance. Numerous bills dealing with State policy and administrative practices are before your committee.

Should or should not, States take liens on the property of public assistance recipients? Should data about a recipient ever be made public, and if so, under what conditions?

In determining an individual's need, should or should not some amount of earnings or property be ignored? While it is my belief that these are matters which should be left to State decision, it seems to me that if your committee expects to give any consideration to the

many pending bills in this field, it should be after study and deliberations by an Advisory Council such as is suggested by the Secretary.

The pending bill has provisions for increasing Federal public assistance grants. Our organization feels that the primary question is not increasing, but rather of an orderly Federal withdrawal from financial participation in public assistance.

As indicated by the Secretary of Health, Education, and Welfare, in a previous statement:

> Since 1946, the welfare appropriations of State and local governments have dropped from 10.8 percent to 8.6 percent of their total expenditures.
>
> In this same period, the Federal Government's expenditures for public assistance have increased by more than $1 billion until they are now 8 times as large as in 1946.

The estimated first year's cost of the pending bill would be $288 million. This assumes that States would not increase the expenditures from their own funds. Such increases may be expected and would increase the Federal grants from $1 to over $2 for each dollar increase in local expenditures.

Of course, gentlemen, there is no special tax to provide those funds. It is out of general revenue and would go to increase the national debt.

That there should be a withdrawal from public assistance grants as the Federal contributory system progressively provides security for the otherwise needy has been long recognized.

As far back as 1950, when total old-age and survivors' insurance benefits were $961.1 million, the Senate Finance Committee stated in its report:

> In view of the extensive revisions in the old-age and survivors' insurance program in the bill your committee believes that a beginning should be made in reducing Federal participation in supplementary old-age assistance payments made to beneficiaries of old-age benefits under the insurance program.

A committee amendment to this end passed the Senate, but failed in conference.

With current old-age and survivors' benefits—some seven-eighths of which go to old people—now at an annual rate some 9 times the 1950 rate, and shortly to be 10 times that rate, we believe that it is time to critically reapraise the entire area of Federal financial participation in public assistance. This could be included in the important tasks of the suggested Advisory Council.

Might I point out that the present temporary public assistance grant formula expires June 30, 1959, and that an Advisory Council could consider and report on public assistance issues, and Congress can act on these well before the present temporary grant formula expires.

CONSOLIDATED REPORTING—WAGE AND PAYROLL DATA

We have noted with appreciation that the Department of Health, Education, and Welfare and the Treasury Department have again recommended legislation to consolidate the wage reports that employers make to the Government for social security and for income tax withholding purposes.

In essence, employer-filed statements of wages and of tax withheld which are now prepared annually would be used for old-age, survivors, and disability-insurance purposes as well as for income tax. This would make unnecessary the filing of detailed quarterly reports by employers of the earnings of each of their employees.

This suggestion for consolidation of employer payroll reporting with its attendant economies for all concerned has been under consideration for several years.

Nevertheless, the pending bill, despite its manifold changes, does not contain this proposal for reducing both Government and private administrative costs.

We sincerely hope that you will include these recomended changes in any social-security bill you act upon.

DISABILITY BENEFITS

In reporting out H. R 7225 which, as amended became the 1956 social-security amendments, the Ways and Means Committee stated:

> Your committee has designed a conservative program of disability-insurance benefits. Under the bill eligibility for these benefits will be limited to persons who, through a record of work over a considerable period of time, have demonstrated a capacity and a will to work and who at the time of their disablement have had recent work.
>
> Under your committee's bill if another Federal disability benefit or a State workmen's compensation benefit is also payable to the disabled individual, the disability-insurance benefit would be suspended if it is smaller than the other disability benefit; or, if larger, it would be reduced by the amount of the other benefit.

The bill also limited the benefits to the worker himself. It paid no family benefits.

These provisions were normal precautions to limit benefits to persons suffering a wage loss and to preserve incentives for recovery and return to work.

The pending bill would pay benefits to a person who had not worked for several years before becoming disabled. It would pay benefits without regard to the fact that he was drawing adequate benefits under workmen's compensation.

It would make disability benefits retroactive for as much as 12 months before the person applied. In short, it would eliminate the safeguards adopted in 1956 as necessary and appropriate in limiting the system to its social purpose.

Certainly the short experience with the system affords no basis for this action at this time.

In conclusion, I should like to devote a little time to some broad economic implications of the bill under consideration.

First, let me emphasize that we are not fighting social security but are against unsound social security. We are firmly convinced that the cost must be held to a level which can be supported, otherwise it cannot be sound. In determining what costs can be supported, too much credence must not be placed upon cost estimates of a proposed benefit liberalization. There is no known method for making exact projections for 5, 50, 60, or 70 years.

Second, the pending bill will increase tax payments next year and in all future years. Next year, according to the estimates, social-security taxes would be $1.8 billion above those paid in 1957. This is a terrific extra burden for 1959 which may not be as good a year as 1957.

In public assistance the estimate is an increase of $288 million in grants next year. But that estimate is on the assumption that States

do not increase their own appropriations—and many are almost certain to make such increases.

The estimates also assume, apparently that States will not add people to their rolls. But they will doubtless do this—as many can do so with little or no extra cost to the State and in some cases the State can actually make money by so doing.

Finally, an increase of prices—which is what this bill will necessitate—might well throw us back into recession. That certainly is not what this committee, nor the Congress, wants, and it is not what the public either wants or, if it understands the issue, will stand for politically.

We firmly believe that the changes proposed in the pending bill should not be adopted as a hasty preelection liberalization. There should be no changes made until the Advisory Committee has made its report and its suggestions have been thoroughly considered.

Senator LONG. Thank you very much, Mr. Fonda.

Mr. Eugene McCrary.

Let the record show that Mr. McCrary is accompanied by Mr. William P. MacCracken, Jr.

STATEMENT OF V. EUGENE McCRARY, COLLEGE PARK, MD., ON BEHALF OF THE AMERICAN OPTOMETRIC ASSOCIATION, ACCOMPANIED BY WILLIAM P. MacCRACKEN, JR., WASHINGTON REPRESENTATIVE

Dr. MCCRARY. Mr. Chairman and members of the committee, my name is V. Eugene McCrary. I am an optometrist practicing in College Park, Md., and for the past year have been a member of the department of national affairs of the American Optometric Association.

During 1944 and 1945 I served as a naval air gunner and a member of a combat aircrew. Following my discharge, I took an accelerated preoptometry course with the result that I was able to acquire in 1 year college credits which would normally take 2 years.

I then spent 3 years at the Northern Illinois College of Optometry, from which I graduated with the degree of doctor of optometry. Following graduation, I passed the examination given by the State board of optometry in South Carolina and practiced for 2 years with my father, who is an optometrist in Greenville, S. C. During this period I was commissioned as an optometrist with the rank of ensign in the Medical Service Corps of the United States Naval Reserve.

During 1951 and 1952, I was again on active duty with the Navy. This time as an optometry officer. I was promoted to lieutenant junior grade, and now hold the rank of lieutenant in the MSC, USNR.

I am chairman of the executive board of the Maryland Optometric Association, and in addition to my private practice I am serving as optometric consultant to the Naval Research Laboratory on problems of industrial vision.

I am also president of the Lions Club of College Park, Md., and engaged in other civic activities.

Our national association, like most others in the health field, is composed of individual members in each of the 48 States and the District of Columbia. In most instances the individual joins the local or State association and at the same time becomes a member of the national organization.

There are two groups which provide the professional services essential to the care and preservation of the vision of the American people. Perhaps the members of this committee are familiar with the services performed by these two groups. However, for the benefit of those who may not have this information at their fingertips, may I submit the following by way of introduction.

The optometrists, the group to which I belong, is composed of those specially trained to examine the eyes of their patients for defects in vision. When these are caused by conditions which either partially or wholly require medication or surgery, the patient is referred to a physician. The physicians who specialize in the care of the eye are known as ophthalmologists or oculists. Between 70 and 80 percent of those in private life who seek professional advice for their vision problems consult optometrists.

The ophthalmologists or oculists are the other group. Any physician who specializes in eye work may call himself an oculist or ophthalmologist, but those who are certificated by the American Board of Ophthalmology have taken postgraduate work in the eye, have completed a residency in an eye clinic, and passed the board's examination. They are especially trained to perform eye surgery and to treat diseases of the eye, as well as to refract. They are in short supply, both in private practice and Government service.

In all 48 States and the District of Columbia, either by statute or regulation having the force of law, a person now seeking an original license to practice optometry in one of these jurisdictions must be a graduate of an approved school or college of optometry, each of which requires a minimum of 5 years of study at the college level—3 of which are devoted exclusively to their specialty.

All optometrists who have less than 10 years of professional practice have had this training, and in addition have passed at least one State board examination. Those who do not have this educational background have compensated for it by more than 10 years of active practice.

In some States they now require a candidate for the State board examination to serve a period of internship, but this is the exception rather than the rule. The approved schools and colleges of optometry are: The Massachusetts College of Optometry, located in Boston, Mass.; Pennsylvania State College of Optometry, located in Philadelphia, Pa.; Ohio State School of Optometry, at Columbus, Ohio; Indiana School of Optometry, Bloomington, Ind.; Illinois College of Optometry, Chicago, Ill.; Southern College of Optometry, Memphis, Tenn.; the School of Optometry of the University of Houston, Houston, Tex.; Los Angeles College of Optometry, Los Angeles, Calif.; School of Optometry at the University of California, Berkeley, Calif.; and School of Optometry, Pacific University, Forest Grove, Oreg.

The current announcement of the School of Optometry of the University of California, for example, requires the students to take as a prerequisite to their professional training a course in physiology of the visual system, followed by a course in pathology of the eye, which includes lectures and demonstrations dealing with the identification of pathological conditions in the eye and the manifestation of systemic disease as indicated by the eye, and in the final year an advanced course in pathology of the eye, with pa. ticular reference to the application of the knowledge obtained in the preceding courses

in the determination of diseases of the visual system in clinic patients. This is typical of the courses given in the other schools and colleges of optometry.

Prior to 1950, optometrists in many jurisdictions were barred from participating not only in the aid to the blind program, but because of the misinterpretation of the regulations promulgated by the Social Security Administration, all other vision programs supported by State funds.

To correct this situation, the 1950 amendments to title X of the social-security law provided that for a State program to be approved to share in the Federal funds for aid to the blind, it must make available the services of optometrists to the recipients of such aid.

This does not mean that applicants for this type of assistance must go to an optometrist, nor are the findings or recommendations of the optometrists binding on the State authorities. As far as we have been able to learn, this program has for the past 8 years worked smoothly in practically all jurisdictions.

Congress, in passing the draft doctors law, with its various amendments, the Medical Service Corps Act of 1947, and the recent amendment to the Veterans' Benefit Act of 1957, has recognized not only the need but the propriety for utilizing in health care programs the professional services of optometrists and disciplines other than medicine. In the Army, Navy, and Air Force there are on active duty at the present time more than 300 commissioned optometrists, with ranks ranging from second lieutenant to colonel in the Army and Air Force, or their equivalents in the Navy.

One of the stumbling blocks to the utilization of the services of optometrists in Government-supported health programs is the fact that in legislation, regulations, and Government publications the term "medical care" is used to include not only care which must be rendered by a duly licensed physician, but also care which can properly be rendered by qualified and dedicated practitioners in specialized fields, such as osteopathy, podiatry, optometry, chiropractic, and at times even dentistry.

To deny the recipients of health-care programs the freedom of choice of a duly qualified practitioner is un-American and contrary to the public welfare. In fact, in some jurisdictions the State attorney general has ruled that it was illegal to bar from State-financed programs a duly licensed optometrist from participation within the scope of his license to practice.

Everyone is conscious of the shortage of physicians and vast sums are being expended to enable those seeking to acquire a medical education to realize their desire. It is therefore illogical and contrary to the public interest to discriminate against any group with special qualifications that can lighten the burden which rests upon the medical profession.

Certainly the individual should be free to choose his practitioner regardless of whether he is bearing part of the expense or whether it is all borne from State and Federal appropriations.

When the hearings were held by the House Ways and Means Committee, our Washington representative, Mr. William P. MacCracken, Jr., submitted a proposal that was broad enough to make available to the beneficiaries of any program financed in whole or in part by

Federal aid, the services of all duly licensed practioners within the scope of their practice as prescribed by the laws of the jurisdictions in which the services were rendered. He has advised me that there might be some objection to an amendment which was as broad as that suggested to the House committee, and therefore we are submitting to this committee a proposed amendment which applies only to the utilization of the services of duly licensed optometrists.

This amendment is as follows:

Amend H. R. 13549 by adding at the end of said bill the following:

"DECLARATION OF POLICY REGARDING UTILIZATION OF OPTOMETRISTS

SEC. 705. The Congress hereby declares that it is in the public interest that the services of optometrists should be available to beneficiaries of health programs financed in whole or in part by funds appropriated from the Treasury of the United States. Nothing in this Act or in any other Act authorizing health programs shall be construed to exclude the utilization of the services of optometrists within the scope of their practice as prescribed by the laws of the jurisdiction in which the service is rendered."

Both amendments we believe to be in the public interest and are willing to abide by the decision of this committee as to which one is preferable.

We appreciate the opportunity to make this presentation, and if there are any questions which the committee desires to ask, either of myself or Mr. MacCracken, who accompanies me, we will endeavor to answer them to the best of our ability.

Senator LONG. Thank you very much.

Mr. MACCRACKEN. Mr. Chairman, may I suggest that this other amendment might also be incorporated in the record following his statement. That is the broader one which applies to any duly licensed practitioner, not just to optometrists. It is in line with what was submitted to the House, so that this committee has a choice.

Senator LONG. That will be included in the record, sir.

(The amendment referred to follows:)

Amend H. R. 13549, by adding at the end of said bill the following:

"SEC. 704. It is hereby declared to be the intent of Congress that the services of all duly licensed practitioners within the scope of their practice as prescribed by the laws of the jurisdiction in which the service is rendered shall be made available to all beneficiaries or recipients of Federal aid and to that end the term 'health care' shall hereafter be deemed to supersede the term 'medical care', save and except where the service to be rendered can only be performed by a duly licensed doctor of medicine."

Senator LONG. Mr. W. Rulon Williamson. Will you proceed, Mr. Williamson.

STATEMENT OF W. RULON WILLIAMSON, RESEARCH ACTUARY, WASHINGTON, D. C.

Mr. WILLIAMSON. I am speaking briefly today against the Social Security Amendments of 1958, as presented in House Report No. 2288. I touch separately upon old-age and survivors benefits, permanent total disability benefits, and public assistance benefits.

1. Old-age and survivors insurance: During the calendar year 1957, the OASI trust fund was reduced by $127 million. Table 4 in 2288 anticipates a further loss of $600 million in 1959, after a 1958 loss of $800

million. The tax increase of one-half percent scheduled for 1959 is not expected to entirely counteract the deficiency of that year.

1960, 1963, 1966, 1969 each call for a further tax increase of 1 percent, reaching 8½ percent in 1969, when the rate is scheduled to be more than double that of 1958, and applied to a higher maximum wage. On page 2 is the further warning of constant adjustment in "a dynamic society"—no guaranty of any maximum rate or maximum taxed wage.

The man entering the labor market in 1969 with a tax of 8½ percent on $4,800 top wage, accepting the idea that both taxes represent part of his earnings, may well resent the extent of the charity demanded from him in behalf of the then aged and broken families. He could quite logically believe—as many do today—that, allowed the money in cash, he could go far to meet his own responsibilities, through life insurance and investments, with the advantage of interest accruals, not much present in OASI.

Last year, the awards or new claimants of 1957 represented a total potential outlay during the full period of benefit receipts for those persons, of some 10 percent of the taxable wages, or 2½ times the 4-percent tax rate of the year.

Report 2288, in table 6, shows for the distant year 2020, low and high estimates, first of benefit payments of $36 and $45 billion, and next of trust-fund balances of $698 billion and nothing. With the biennial congressional adjustments now coming to be expected from the pattern of the last decade, no one can be much concerned over the accuracy of these projections. And no one can take very seriously, either, the idea of benefits stabilized after year 2020, on into perpetuity, after noting an increase of a third from 2000 to 2020.

H. R. 13549 makes worse four undesirable features in OASI:

There is too wide a range in individual benefits from minimum to maximum.

The family benefits provide too large a percentage of the average wage for low incomes.

The aggregates of life insurance are fantastically large and too large a percentage of all life insurance in the country.

The windfalls to the current aged are very large, the most to the least needy.

2. Permanent total disability cash benefits:

PTD benefits were included from age 50 to age 65 for men and age 62 for women, in 1956. There were many restrictions. It takes many years for natural or imposed selection to wear off, and for benefits to reach dangerous proportions. One important example comes to mind where a PTD protection ran for 13 years at 20 percent of "the expected"—50 percent in year 13—and then jumped to 200 percent in year 16. Drastic changes in overall conditions quadrupled the claim rate in 3 years.

Other experiences with disability have shown that one may double the rate of individual benefit and quadruple the aggregate claim payments. I decidedly question the validity of the statement on page 5:

> All of the recommended improvements in the disability provisions of the program can be adequately financed from the contributions already earmarked for the Federal disability trust fund.

The relative attractiveness of the amended benefits and the 1956 restricted benefits cannot be so easily sized up, after only about a year of claim payments. Dropping out the safeguards is apt to greatly expand the amount of the benefits. An "actuarial balance" that is redundant by only 0.01 percent out to infinity, on an "intermediate estimate," would seem to have a long way to go on a very slender margin.

3. Public assistance: Due to the absence of early benefits under OAB, and its successors OAI and OASI, public assistance was the main source of benefits at least up to 1950. Now, after more than a score of years of operation, the contrast between the philosophies of New Jersey and the District of Columbia on the one hand, and of Louisiana and Colorado on the other, indicates that there is no commonly accepted doctrine as to the purpose and structure of public assistance. The State of Indiana once set down its conviction that local benefits ought to be paid locally, without a pretended subsidy from Washington funds. At a time of Federal deficit this makes much sense.

So the effort in 1958 to introduce the dubious philosophy of Federal variable grants, to force $300 million extra Federal money upon the States, seems apt to make for still less sound administration than today. The encouragement of irresponsibility, of family desertion, of illegitimacy, of erratic personal bookkeeping, were indicated in the hearings of the Curtis subcommittee of 1953, and in many other discussions on the pitfalls of public assistance administration.

Certainly, too, it would take a wizard of an individual taxpayer to follow through his share of tax payment made locally, through the State and through the Federal Government toward the burgeoning public assistance accounts. The suggested hope in 2288 that after $300 million more Federal funds are allotted to the States, those States, saved $300 million, should then add that amount to their own payments again, seems exactly the wrong aspiration.

I can see no reason for hamstringing still more the sense of local responsibility for minimizing pauperism. The whole system should go back to the States, and the Federal Government should withdraw its subsidy.

Conclusion: The proposal to put a billion extra Federal dollars into these systems in 1959 at a time of serious budget deficiency, and to make permanent even worse extras thereafter, seems inflationary and prejudicial to personal and family self-sufficiency. It would be better to await the report of the Advisory Council on the Financing of Social Security. They, as well as the Congress, have "a bull by the horns"—a tough assignment. H. R. 13549 tremendously complicates it.

The paragraph on page 2 of 2288 which says that—

> 12,000,000 now rely on monthly checks from the social security system as "the foundation"—

and I quote "the foundation"—

> of their security—

seems an abdication of belief in our personal capacity. We own homes and gardens and automobiles, have life insurance, bank savings, Government bonds and other investments and power to choose. We

have personal resources, cohesive families, voluntary associations of many sorts. Those OASI checks could be a welcome extra, a supplement, but God forbid that OASI checks, so largely apology for inflation, should be the foundation of our security.

I have also enclosed for your reading a brief article which came out this week in Christian Economics, which I wrote last March, which covers the same ground in a slightly different way.

(The article is as follows:)

OASI—A BULL BY THE HORNS

W. Rulon Williamson, former actuarial consultant to the Social Security Board

It was some 24 years ago (June 20, 1934) that President Franklin D. Roosevelt appointed a Cabinet Committee on Economic Security to make "recommendations concerning proposals which, in its judgment, will promote greater economic security." The Committee was authorized to use such batteries of experts, consultants, advisers, and working staff as could be brought together for the purpose.

CRASH PROGRAM

From the vantage point of hindsight, it seems clear that this group of a few hundred persons was geared to launch a crash program under a wide variety of compulsions which included:

(*a*) The intent to catch up with Europe in the governmental assumption of personal responsibilities.

(*b*) To transcend the fear of unconstitutional action.

(*c*) To minimise the belief in the individual's ability to budget his own earnings for the present and the future.

(*d*) To reverse the ascent from status to contract into the slide back from contract to status.

(*e*) To keep early costs low by postponing benefits payment.

(*f*) When making slightly delayed, largely free benefits, to allot the largest windfalls to the men of substance, hoping to gain their support for the program.

Here in the United States, "insurance" was a good word, but it wasn't a safe word for a Federal enterprise. Insurance was a province regulated and supervised by the sovereign States. Premature use of the word would be prejudicial to the evolving program. It seemed necessary to ease in the Federal direction of the program as a modern way of thrift, claiming that the system was inevitable, and, once established, permanent.

Thus, the Social Security Act of 1935 came into being. Within that act, titles II and VIII outlined benefits and taxes, old-age benefits (OAB), and payroll taxes. For this pair of titles the use of the word "insurance" was deferred until the Supreme Court ruled the arrangement constitutional on May 24, 1937. The brief presented to the Supreme Court had said it was not insurance, but gratuities or relief and general taxation.

But with the bogey of unconstitutionality laid, the Social Security Board changed the name of the Bureau of Old Age Benefits into the Bureau of Old Age Insurance. In 1939 the addition of benefits for survivors and dependents of covered employees brought another change in name to the Bureau of Old Age and Survivors Insurance (OASI).

FINANCIAL RESULTS

OASI has now (including that initial OAB) been in operation for 21 years under a steadily shifting set of rules and kaleidoscopic philosophies. As 1958 dawns, with a higher ceiling for the national debt, with the OASI account outside of the regular budget, with the OASI trust-fund assets a part of the national debt, with the buying power of each saved dollar constantly shifting—mainly shrinking—a laconic review of OASI financial results should be illuminating.

1. The number of people covered in 1937 amounted to 32,800,000, while in 1957 the coverage was 97 million.

2. The earmarked social-security tax collection for 1937 amounted to $514 million, but for 1957 it had jumped to $6,826 million.

In other words, while the number of people covered increased threefold in that period, the "take" from them increased thirteenfold.

3. The benefits and administrative expenses for 1937 amounted to $1 million, jumped to a little over $1 billion in 1950, and then up to $7,500 million in 1957.

To recap this change from 1937 to 1957, the coverage has tripled, the tax collection has grown thirteenfold, and the expenditures have risen seven-thousand five-hundred-fold.

4. The unused portion of the taxes collected went into a trust fund—Federal bonds—on which interest was allotted (from general taxation). This trust fund at the end of 1937 (with a little added velvet from appropriations) was 766 times the 1937 benefit payment. In 1950 it was down to 18 times the 1950 benefits payments. At the end of 1957 it was down to three times the 1957 benefits payments.

5. The percentage of the payroll taxes of the year allotted to the trust fund was 140 percent in 1937, 62 percent in 1950, 8 percent in 1956, 0 percent in 1957.

YEAR OF CROSSOVER

In 1957, the tax collection on OASI was $6.8 billion; the expenditure, $7.5 billion. The margin in the taxes had completely disappeared. Curves showing income and expenditures, year by year from 1937, with the income values above the expenditures, have reached the year of crossover, with the expenditures above the income.

The trust fund of $22 billion is only about a third of any orthodox claims reserve for the benefits in process of payment. The awards, the new claims, of 1957 represent a sum of from $18 billion to $20 billion, an amount for 1 year's additional claims not far short of the entire trust fund. While the tax base is 4 percent of taxed payroll, these claims of the year portend payments to these claimants and their dependents of 10 percent of payroll.

Life insurance, under traditional actuarial direction, deals with the contingencies of life and death. It has evolved dependable, workable methods of premiums, reserves, claim recognition for its trusteeship, based upon the concept of individual contracts. Federal open-end accounts add many special features, such as the taxability of employers, the taxability of workers, the pooling of persons of both sexes, different ages, varying family responsibilities, varying earnings, changing employment conditions, and many other factors—the most important one being the constant threat of amendment. Voluntary assessment and fraternal associations ran into serious trouble in attempting such open-end protection, reorganization having been required over and over again in the early years of the century. The actual experience of OASI demonstrates again the inability of nonfinancial legislators and bureaucrats to handle the economic calculations involved.

UNABLE TO FORECAST

Skilled actuaries are unable to forecast the future results of such open-end accounts, especially when biennial changes in the structure are possible. They can give illustrations of potential future situations by making assumptions as to values of factors beyond their control. They find it wise to give at least a low and a high set of assumptions, and consequent illustrations. When they do so, those using the data have been taking mean values between the two illustrations and using that mean as though it were a specific prediction.

Such nonactuarial discarding of the warning inherent in the caution, "We cannot accurately predict," has resulted in an unwarranted optimism. Some of those so using the synthetic cost structure as valid must be recognized as ignorant persons, working beyond their skills, or charlatans with lack of responsibility. Under this situation, the amendments to the OASI structure of 1950, 1952, 1954, and 1956 have resulted in the above-outlined developments.

Two examples of a wide deviation in the experience from much-used illustrative projections made long in advance should be sufficient:

1. At the time of the 1935 act, a prepared schedule of prospective tax collections and benefit payments and reserve accumulation indicated expected reserve in 1980 of $47 billion. The progression was carried through, year by year, for the period 1937–80. The 1955 projected benefits were $888 million. The actual expenditure of 1955 in the manipulated evolving structure was about $5 billion, or nearly 6 times the amount set down illustratively for 1955 by the actuarial consultants of the Committee on Economic Security and the then Government Actuary.

2. In 1943, the Office of the Actuary within the Social Security Administration, following the modifications of the system into OASI of the 1939 amendments

to the Social Security Act, made two constructs—a low and a high. An intermediate figure—used by many as the predicted figure—was $1.2 billion for benefits of 1957. The actual expenditures, following the amendments of 1950, 1952, 1954, and 1956, reached $7.5 billion, or 6 times the figure used earlier by nonactuarial people as a forecast for 1957—quoting the actuaries as authority.

DANGEROUS PATTERN

Since the Congress, compassionate as to human needs, sensitive as to what they feel to be voter attitudes, has set the pattern (the highly dangerous, and, to some extent, an irresponsible, pattern) of biennial increase in benefits, experience shows that it is impossible to have any clear financial grasp as to what will happen in OASI. We can only say that the potential expenditure is enormous. Over a hundred bills are on hand for 1958 expansion.

On the other hand, though, should the time ever come when we can no longer hold the bull by the horns, section 1104 of the Social Security Act—reservation of power—offers some possible relief to future taxpayers against the tremendous OASI taxload apparently accumulating. That section states:

"The right to alter, amend, or repeal any provision of this Act is hereby reserved to the Congress."

Senator LONG. Thank you, Mr. Williamson.

Mr. Howard J. Riordan.

Will you proceed, Mr. Riordan.

STATEMENT OF HOWARD J. RIORDAN, ARLINGTON, VA.

Mr. RIORDAN. First let me thank the committee for this opportunity. I appear today as an individual strictly, to express one individual's reactions, and for the larger share of the early part of this afternoon I was afraid my reactions were the only ones of their sort in the picture, but I have taken some heart in the last hour.

My name is Howard J. Riordan, and I have requested the privilege of appearing before you gentlemen of the Senate Finance Committee in order to state, as an individual citizen, some views which I firmly believe are sound and in the best interests of all of us as citizens, regarding the proposed changes in the Social Security Act which the House recently passed, H. R. 13549.

Senator BENNETT. Mr. Chairman, may I ask Mr. Riordan to identify himself, his residence and his occupation, before he makes this statement.

Mr. RIORDAN. My residence is 3188 North Pollard Street, Arlington, Va. My occupation is that of a general agent for the John Hancock Mutual Life Insurance Co., in Washington, D. C.

Let me make clear that I am not opposed as a person to the basic principles of social security—provided there were some way of preventing them from becoming a tempting political football. However, as each election year finds a new bagful of goodies poured into the social security stew, it becomes increasingly clear that the problem of maintaining this system on a sound, equitable, and basic level is now a frightening one.

By contrast, we are well on the road, it appears to me, to distorting the social-security system into a Gargantua which can, and probably will, eat into our moral and financial well-being like a monstrous cancerous growth. Selfishly, I would like a social-security program which would provide $500 or $1,000 per month for me as long as I live after age 50, and for everyone else; which would also provide this income if I felt sick or became disabled; which would pay all my bills in either of those events and, when I died, would provide my family with a comfortable lifetime income.

The only thing I don't like about such a program is that I know it is visionary, that it would ultimately be disastrous for our people and our country. Yet bills such as the one now being considered by this learned committee put us on the road to such a program as I have described above.

If it be said that I cite a ridiculous extreme, I would ask you gentlemen, who of all men, know human nature so well, to tell me whether you honestly think it is the custom of human nature to seek comfort, ease, money, and/or relief from problems only in moderation—particularly when it is thought that someone else is paying the bill?

You will all recall what is said to be the favorite story of the late revered Senator Barkley—about the pampered constituent who voted against him. When the Senator reminded the constituent of the multitude of favors he had done for him over many years, he got an acknowledgment of that fact and said: "Then why, in heaven's name, did you vote against me?" The farmer asked, "Wal, what have ye done for me lately?"

It would appear that the social security program is being turned into a perpetual answer to that last question.

Interrupting this prepared statement for just a moment, the question occurred earlier, I noted in the testimony, and yesterday concerning 1956 revisions. There were, for the record, as far as my submission is concerned, benefit adjustments in 1956. It is merely that, as there were in every year, 1950, 1952, 1954, and 1956, and now, as contemplated, in 1958.

The point of confusion I believe arises from the fact that there was no basic readjustment in 1956, but rather, the opening of the door to disability benefits.

On which point, again, an interpolation in my own statement, I certainly could not, humanly speaking, blame Senator Douglas for his pride in having had a part as an individual in introducing or in helping along that disability benefit and seeing it to its successful passage in 1956, nor his pride in knowing that because it was kept strictly segregated that it so far has been a solvent program.

However, I was extremely interested to see and heartily concur with several opinions in testimony just given which indicates that you cannot judge a disability program in the first year of its operation, and the evidence is already in, in this year's proposed bill, that the door is to be opened wider as an exemplification of further aggrandizement of the disability program that will inevitably, I would judge as a person, take place in the years to come, and that, therefore, the disability program cannot be judged as a practical matter until some years have passed without any tampering with the original program.

I do not propose today to bore you with statistics or foreboding figures. All of those that you can possibly need are readily available to you from better sources than I could possibly be. My intent is to touch upon underlying principles, for I think a reexamination of pertinent principles in connection with the philosophy of social-security legislation is long overdue.

1. The Congress itself has placed in being an Advisory Council on Social Security Financing, recognizing the patchwork characteristics which the Social Security Act has acquired. Yet now it is proposed—before this Council even has a chance to report its findings—to add

to the patchwork. What possible justification can there be for such action, other than the sorry one—certainly not worthy of the United States Senate—of election year expediency?

Senator LONG. If you will pardon me for saying it, I have voted for my last study on social security, because I do not want to ever be confronted again with this argument. I do believe we have some ability to study these things for ourselves, rather than just sitting here throughout our entire term waiting for somebody to come in and report.

Some time ago someone wanted to establish a commission, and came to see me at Baton Rouge and suggested that I would be called upon to suggest one of the members of one of these commissions if I would vote to help set it up. My reaction at that time was that if it meant we were not going to be able to act and to vote on measures of this sort, then I was not going to be for it, and that is how I feel about it.

Mr. RIORDAN. Senator, I can understand your position in saying that you would not vote for the establishment of such a commission feeling, as you do, that you wanted to be free to take action at any time.

However, this Commission is an established fact. It has been entrusted with a duty, and certainly the gentlemen who were named as being a part of that Commission were such as not to take part in it unless they felt that their actions were to be a fruitful work.

I think no one of us who is reasonable would expect any one of you gentlemen to have so much time or to have so much knowledge at your fingertips as to be able, in connection with a tremendously complicated program of this sort, to know exactly those facts which you would want to have in order to make the kind of judgment that you would want to make; so personally, I would understand your latter reaction, but I would personally think that a commission for purposes such as this offers sound advantages.

In any event, it is a matter of the desire of the Congress that this Commission or Advisory Council do certain work and then report back, and here we are, as I say, adding to the patchwork prior to any report received from them.

2. Social-security legislation is among the most important items that come before the Congress. Yet this bill is before your committee at the 11th hour before adjournment, with very limited opportunity for serious consideration, in an atmosphere traditionally congenial to hasty action rather than mature deliberation. I believe it is literally true that more time has been given in this Congress to a vicuna coat and some hotel bills than to this legislation which vitally affects every person in this country.

3. This bill provides further increases in social security benefits which are not warranted by the facts—unless we intend the program to become the financial umbilical cord which will bind every citizen of the United States to the Government as a child is bound to its mother. Again, I freely admit—and this is the inherent danger—that human nature is most naturally going to welcome these proposed increases. You remember the salesman for a bookkeeping system who told a prospect: "This system is guaranteed to do half your work." To which the boss answered: "That's fine—I'll take two of them."

4. The people of the United States have, to date, been given a social security program of benefits that has been constantly increased in every direction. They have been led into the belief that they are currently paying the proper bill for these benefits, although that is not the truth. I submit to you gentlemen that this is the time to stop, receive and study the findings of the Advisory Council on Social Security Financing, and then, most probably, increase social security taxes in some equitable fashion to pay for the benefits already legislated—certainly it is not the time to increase those benefits further.

5. I believe it is past time that the Congress should ask itself what would have been done, under existing statutes, to any insurance company which would have handled its policyholders, with regard to benefits and premiums, as the Congress has handled the people of the United States with regard to the benefits and taxes under the social security program. Such a company would have had its license withdrawn by the insurance commissioners.

The program is called social insurance, even in street car advertising, leading people to believe that it is a fixed insurance benefit with the taxes for it equivalent to premiums. Yet one need not be an actuary to know that it is utterly impossible to retire a man with a lifetime pension after he has paid in less than a total of $200 over a period of 18 months.

This is not insurance—it is a gift from the citizens of the United States—to be paid for in full, later on.

6. In summary, I hope this committee will see fit to defer action on social security, and on this bill in particular, until the next session of Congress, when deliberate and reasoned consideration can be given to any proposed change in the Social Security Act in the light of the studies now being made by the above-mentioned Advisory Council. To do otherwise, I earnestly believe, is to be unfair to the people who have entrusted you gentlemen with grave responsibilities which they do not have the time, the facilities, nor, perhaps, the training to undertake. I am sure your actions will not belie their trust.

One additional comment, tying to the testimony given by Mr. Fonda, of the NAM, on page 6.

It was extremely revealing to me to be present in this room this morning and this afternoon and, not until late in the afternoon, at least to my recollection, to hear real comment directed toward the original concept of the social security program as constituting not an adequate retirement, not a sufficiency to live on, but a basic helper which would assist all of us as citizens, who then had the responsibility of acting upon our own within the limits and framework of our own capacities and willingness to save to provide a sufficiency for later years.

It was amazing to see the very slight degree to which that original concept of social security was touched upon as contrasted with, at least I gathered, the feeling that the social security program should be an end in itself, a retirement program which would enable a person to live on its proceeds without any provision that he himself would have made.

Gentlemen, I thank you very much for this opportunity.

Senator LONG. Thank you, Mr. Riordan.

That concludes today's session. The committee will meet at 10 o'clock on Monday morning.

(The following statement of the Council of State Chambers of Commerce was filed with the committee by Robert C. Gresham, assistant director of research for the Council of State Chambers of Commerce. Mr. Gresham advised the committee that the council's scheduled spokesman, John W. Jonnis of Wisconsin, was unable to appear because of circumstances beyond his control.)

STATEMENT ON BEHALF OF 23 MEMBER STATE AND REGIONAL CHAMBERS OF COMMERCE OF THE COUNCIL OF STATE CHAMBERS OF COMMERCE

This statement is submitted to the Senate Committee on Finance on behalf of the social security committee of the National Council of State Chambers of Commerce. It has been endorsed by 23 State and regional chambers of Commerce in 20 States.

We appreciate the opportunity to submit our views on H. R. 13549 to this committee, particularly since no hearings on this bill were held in the House of Representatives. As you know the Committee on Ways and Means did hold general hearings on the Social Security Act in June. Unfortunately the scope of those hearings was extremely broad, covering all titles of the Social Security Act and some 400 proposed bills, which of course did not include H. R. 13549. Therefore, despite the importance of the bill, this is the first occasion when interested parties have been able to indicate their views on the specific provisions contained in H. R. 13549.

You will recall that the Social Security Amendments of 1956 (Public Law 880, 84th Cong.) created the Advisory Council on Social Security Financing and gave it the responsibility of evaluating the OASI and disability insurance trust funds in relation to their long-term commitments. We believe the creation of the Advisory Council was an important step in the direction of securing a fiscally sound OASDI program. It is obvious, however, that its usefulness will be impaired and its purpose largely vitiated, if Congress changes this program in a way which affects benefit costs, tax rates, or the taxable wage base without first having the benefit of the Council's studies. Certainly such fundamental issues as the advisability of moving toward greater funding by increasing reserves, which the chairman of the Committee on Ways and Means advanced as a reason for raising the taxable wage base, should be reviewed by the Advisory Council prior to any action by the Congress. In any event we have grave doubts whether additional current contributions for the purpose of building up the trust fund would in fact relieve future generations of any benefit cost due in their time, as the chairman suggested. The difference between the amount of OASDI taxes then collected from employers and employees, and the cost of the benefits then due, would have to be secured from general revenues; there is no other means of obtaining the cash to exchange for the governmental obligations which make up the trust fund.

In testimony before the Ways and Means Committee we stated that we saw no economic or social justification for taking precipitate action to alter the OASDI program just a few months before the Advisory Council makes available the results of its review of the financial status of the OASDI program. We continue to hold to that belief, particularly since the need for careful evaluation of the program's financing in relation to its commitments is apparent. In fact, this was recognized by those supporting H. R. 13549 in the House. Nevertheless, changes in both tax rates and the tax base are incorporated in this measure on what can only be considered incomplete and limited study.

This necessity for weighing financing with great care in terms of long run commitments is amply demonstrated by the trend in OASI tax receipts, benefit payments and the trust fund balance since the 1956 amendments. The Senate Report No. 2133 of June 5, 1956, on the basis of the 1956 amendments projected an increase in the OASI trust fund from a balance of $22.9 billion at the end of 1956 to $26.4 billion at the end of 1960. In contrast comparable newly revised estimates show a decline of $2.3 billion in the trust fund, or a net reduction from the original estimate in the amount of $5.8 billion. Moreover, most of the actuarial estimates made prior to 1956, and on which earlier Congresses relied, also have proved inaccurate in that costs almost invariably were underestimated.

It seems to us that this situation certainly should arouse sufficient concern over the cost and financing of OASI commitments already on the books as to

preclude any further amendments at least until the Advisory Council has submitted its report. Surely such a fundamental question as need for, or advisability of, accumulating "reserves in times of high level economic activity" should not be hastily determined in the closing days of this session of Congress. And this, as you know, was one of the reasons given in the House for increasing the taxable wage base.

The report of the Committee on Ways and Means accompanying H. R. 13549 indicates, however, a belief that a 7 percent increase in the benefits paid to current beneficiaries, and those who will retire in the relatively near future, is needed to offset the rise in the cost of living since 1954. We cannot concur as the benefit liberalizations enacted during 1954 more than equal the increase in the cost of living between 1952 and the present. If the Congress is determined, however, to raise benefits an average of 7 percent, we wish to point out that this can be done without at the same time providing a 17 percent benefit increase for beneficiaries in the distant future through an increase in the taxable wage base. Clearly there is no pressing need to provide higher benefits for individuals who will retire several years hence, since future Congresses can be relied upon to give close attention to their problems. Indeed, the Committee on Ways and Means has indicated that the Social Security Act will be reviewed thoroughly with an eye to extensive changes next year.

We think it unwise and completely unnecessary to sharply raise the taxable wage base, purportedly to provide benefits increases that cannot in fact become effective until some years in the future, shortly before the Advisory Council on Financing issues its findings. Assuming there is a justification for raising the amounts paid to current beneficiaries, there certainly appear to be none for increasing the taxable wage base now to provide higher benefits at some distant future date. For this as well as other sound reasons we are strongly opposed, therefore, to the proposed increase in the taxable wage base.

If Congress should decide to provide somewhat higher benefits for current beneficiaries only, it might also consider deferring any tax rate increase pending receipt of the Advisory Council report. Although we have advocated pay-as-we-go financing for several years, and we continue to support this approach, the cost of a 7 percent average benefit increase for the few months before Congress could act on the basis of the Council's report would not be large enough in comparison to overall costs to have any appreciable effect. The House has already recognized this to some degree since the proposed tax rate increase of one-fourth percent would not take effect until next year.

We believe that the Congress should defer any changes in the disability program, including specifically provision for dependent's benefits and elimination of the offset of disability benefits received concurrently under other programs.

As regards the retirement test, we feel that modification to place wage earners and the self-employed on the same basis with respect to allowable earnings would be desirable. We do not favor the proposed increase from $80 to $100 in allowable earnings. This is just one more step toward converting a social program intended to provide benefits to those retired into a pure pension program with attainment of a stipulated age the only requirement for benefit entitlement.

Another part of H. R. 13549 which we consider of great importance deals with grants under the assistance programs. The old-age assistance program originally was intended to be a temporary program which would rapidly decline in importance and cost as the OASI program began to mature. But although over 20 years have elapsed since the program was started, its caseload is now larger than in any of its first 10 years of existence and Federal outlays have continued to rise, reaching an all-time high of $956 million in 1957 as compared to $119 million in 1937. A further rise in Federal outlays to $1,026 million is projected in the 1959 Federal budget in spite of an estimated decline of 36,000 from the 1957 average caseload.

A major factor accounting for the rapid growth of Federal expenditures for OAA benefits during the past decade of almost continuous high employment has been the repeated liberalization of the Federal matching formula and increases in the maximum State payments for which Federal matching funds are provided. From an original concept of 50–50 Federal-State matching, which was retained until 1946, the Federal share has been increased to four-fifths of the first $30 per recipient plus half the balance up to the maximum of $60.

H. R. 13549 would worsen an already unfortunate situation by further increasing the Federal Government's financial participation. Not only would the

dollar maximum toward which the Federal Government contributes be raised, but the method of computing this contribution would be liberalized. Instead of determining the Federal participation on the basis of State payments to individuals, the average of the payment made to all individuals would be the controlling factor. Finally, and perhaps most significantly, the Federal percentage would be graduated from 50 percent, the present maximum, upward to 70 percent for some States. If this step is taken it will make the Federal participation so large that it is doubtful whether the Federal Government will ever be able to get the States to assume their basic responsibilities for the assistance programs.

The effect of the proposed changes are set forth in an appendix to this statement. For illustrative purposes, however, we wish to point out the results in 1 or 2 States. Although the new formula is intended to benefit States with lower than average per capita incomes, Mississippi, for example, would in fact contribute more toward the cost of the increased grants than would be returned to it. The estimated cost of the additional grants to Mississippi is $1,180,000, but only $874,000 would be returned in increased grants. Thus only about 75 percent of the additional cost would be returned to the State as additional grants. On the other hand, Louisiana would receive far more in increased grants than it would contribute toward the cost of the additional grants. It is estimated that Louisiana would have an additional cost resulting from the proposed assistance formula of $3,367,000; however, it would receive in additional grants about $24,770,000, a return of 735 percent. Similarly, Virginia would pay more to support the increased grants than it would receive in return, getting back only about 67 percent of its additional cost, although the average income again is comparatively low.

It is our view that the next congressional action on the OAA and other public assistance programs should be a start in reversing the trend of the matching formula so that the Federal share would be lessened. As a consequence of near universal coverage of the OASDI program and the increasingly large number of OASDI beneficiaries, an immediate start should be made toward an early retirement of the Federal Government from participation in the financing of public assistance programs, eventually leaving responsibility to the States for assistance for the residual group that would be in need of financial assistance.

We also wish to comment briefly on the question of coverage under OASDI. In our opinion coverage should be extended to employees of the Federal Government, virtually the only large group of workers now excluded from the program. Such coverage should be accompanied by proper integration of OASDI benefit rights with those provided under civil service or other special pension plans. Further, we feel that the railroad retirement program also should be integrated with OASDI.

To summarize:

We do not believe there is sound justification for increasing OASDI benefits without first having the advantage of the Advisory Council on Social Security Financing's forthcoming report. Should the Congress insist upon adopting benefit increases commensurate with the rise in the cost of living since 1954, we urge that this be the absolute limit of congressional action at this time. We are opposed to providing sharply higher benefits for beneficiaries at some relatively distant future date, as is proposed under the wage base increase, since before such benefits become payable future Congresses will have ample opportunity to weigh the need for any increase in the light of conditions which exist at that time.

We are opposed to the increase in the taxable wage base which, as has been noted, would have no real effect on increasing old-age benefits for several years, but which would add immeditely an additional tax burden. More importantly, no action so vitally affecting the basic financial structure of the OASI program should be taken until a very careful evaluation of the long-term results has been made. The Congress has already laid the responsibility for such evaluation on the Advisory Council on Social Security Financing. The Congress should not act without the benefit of the Council's study and resulting recommendations.

We believe that the existing Federal financial participation in the State assistance programs should be gradually diminished and basic responsibility returned to the States. Consequently, we believe the grants-in-aid formula proposed in H. R. 13549 is unsound and should not be adopted.

The following member State and regional Chambers of Commerce in the Council of State Chambers of Commerce have endorsed the foregoing statement.

Alabama State Chamber of Commerce
Arkansas State Chamber of Commerce
Colorado State Chamber of Commerce
Connecticut Chamber of Commerce
Delaware State Chamber of Commerce
Florida State Chamber of Commerce
Georgia State Chamber of Commerce
Idaho State Chamber of Commerce
Indiana State Chamber of Commerce
Kansas State Chamber of Commerce
Maine State Chamber of Commerce
Missouri State Chamber of Commerce
New Jersey State Chamber of Commerce
Empire State Chamber of Commerce (New York)
Ohio Chamber of Commerce
State of Oklahoma Chamber of Commerce
Pennsylvania State Chamber of Commerce
East Texas Chamber of Commerce
West Texas Chamber of Commerce
Lower Rio Grande Valley Chamber of Commerce (Texas)
Virginia State Chamber of Commerce
West Virginia Chamber of Commerce
Wisconsin State Chamber of Commerce

Increased Federal grants for public assistance under H. R. 13549

States in order of per capita income, 1954-56	Percent of Federal taxes borne	Cost to States of increase in program	Amount of increased grants to be received by States	Increased grants as a percentage of increased cost	Public assistance, Federal grants in fiscal year 1957		
					Cost of grants to States	Grants paid to States	Grants as a percentage of cost
Delaware	0.61	$1,756,000	$311,000	18	$9,449,000	$1,781,000	19
Connecticut	2.26	6,476,000	1,525,000	23	34,853,000	11,489,000	33
Nevada	.20	570,000	221,000	38	3,098,000	1,592,000	51
New Jersey	4.20	12,088,000	1,905,000	16	65,058,000	15,705,000	24
District of Columbia	.72	2,072,000	1,168,000	56	11,153,000	4,550,000	41
California	10.51	30,250,000	9,416,000	31	162,900,000	170,134,000	105
New York	13.93	40,093,000	13,273,000	33	215,776,000	118,364,000	55
Illinois	7.11	20,464,000	8,190,000	40	110,134,000	58,629,000	53
Michigan	5.01	14,420,000	8,453,000	59	77,605,000	42,302,000	56
Massachusetts	3.66	10,534,000	4,375,000	42	56,694,000	50,353,000	89
Ohio	6.18	17,787,000	7,973,000	45	95,729,000	56,359,000	59
Maryland	1.90	5,469,000	2,355,000	43	29,431,000	12,021,000	41
Washington	1.53	4,404,000	3,693,000	84	23,700,000	36,509,000	154
Rhode Island	.58	1,699,000	1,473,000	88	9,094,000	6,790,000	75
Pennsylvania	7.14	20,553,000	9,228,000	45	110,599,000	56,273,000	51
Indiana	2.36	6,793,000	3,792,000	53	36,557,000	20,720,000	57
Oregon	.91	2,619,000	1,725,000	66	14,096,000	11,404,000	81
Wyoming	.16	461,000	249,000	54	2,478,000	2,501,000	101
Montana	.30	863,000	1,336,000	155	4,647,000	6,216,000	134
Missouri	2.39	6,879,000	5,592,000	81	37,021,000	79,548,000	215
Colorado	.89	2,562,000	3,571,000	139	13,786,000	27,073,000	196
Wisconsin	2.05	5,900,000	5,578,000	94	31,755,000	21,186,000	67
New Hampshire	.32	921,000	649,000	70	4,957,000	3,027,000	61
Minnesota	1.62	4,663,000	6,303,000	135	25,094,000	28,427,000	113
Kansas	.94	2,705,000	2,928,000	108	14,561,000	20,607,000	142
Florida	2.08	5,987,000	9,136,000	153	32,219,000	44,430,000	138
Arizona	.50	1,439,000	3,179,000	222	7,745,000	10,689,000	138
Iowa	1.11	3,195,000	7,275,000	228	17,194,000	23,351,000	136
Texas	4.23	12,175,000	14,117,000	116	65,523,000	103,753,000	158
Nebraska	.60	1,727,000	2,563,000	150	9,294,000	10,532,000	113
Maine	.41	1,180,000	2,507,000	213	6,351,000	8,019,000	126
Virginia	1.66	4,835,000	3,229,000	67	26,022,000	13,580,000	52
Utah	.33	950,000	1,638,000	172	5,112,000	6,428,000	126
Vermont	.18	518,000	1,193,000	230	2,788,000	3,345,000	120
Idaho	.24	691,000	1,842,000	267	3,718,000	5,345,000	144
Oklahoma	.91	2,619,000	23,803,000	909	14,096,000	51,291,000	364
New Mexico	.32	921,000	4,684,000	509	4,957,000	10,500,000	212
Louisiana	1.17	3,367,000	24,771,000	736	18,123,000	79,762,000	440
Georgia	1.30	3,742,000	21,689,000	580	20,137,000	48,909,000	243
South Dakota	.20	576,000	2,900,000	503	3,096,000	6,521,000	210
North Dakota	.19	547,000	1,936,000	354	2,943,000	5,368,000	182
West Virginia	.73	2,101,000	10,321,000	491	11,308,000	23,770,000	210
Tennessee	1.13	3,252,000	10,333,000	318	17,504,000	33,816,000	193
Kentucky	1.08	3,108,000	7,401,000	238	16,729,000	34,895,000	209
North Carolina	1.36	3,914,000	7,127,000	182	21,066,000	37,404,000	178
Alabama	.93	2,677,000	6,690,000	250	14,406,000	49,237,000	342
South Carolina	.61	1,756,000	2,967,000	169	9,449,000	20,244,000	214
Arkansas	.44	1,266,000	9,682,000	765	6,816,000	22,590,000	331
Mississippi	.41	1,180,000	874,000	74	6,351,000	25,273,000	398
Alaska	.10	288,000	226,000	78	1,549,000	1,828,000	119
Hawaii	.29	835,000	588,000	70	4,492,000	3,643,000	81
Total	100.00	287,818,000	287,818,000	----	1,549,005,000	1,549,005,000	----

A FORMULA FOR DETERMINING EACH STATE'S SHARE OF FEDERAL TAX AND SPENDING BURDENS BY COUNCIL OF STATE CHAMBERS OF COMMERCE, JANUARY 1958

Reports of the Commissioner of Internal Revenue on collections of Federal taxes regularly include a statement to the effect that the tax receipts in the various States do not represent the Federal tax burden in the respective States. In other words, the Federal tax collections reported in a State do not necessarily reflect the Federal taxes actually paid by the people of that State.

For this reason, the Council of State Chambers of Commerce has for some years utilized a formula for apportioning the Federal tax burden among the States in order to show more accurately the cost to each State of Federal spending activities. This formula has been revised and improved from time to time as new and additional data became available.

Following is the formula used in compiling the attached tax burden apportionment:

1. Individual income tax is apportioned to the States according to the distribution of individual income-tax liability in the States as reported in the most recent (1955) statistics of income report. The liability statistics were adjusted to more current levels of personal income in the States on the basis of Department of Commerce personal-income data.

2. Corporation income tax is apportioned to the States:

(a) One-half according to the distribution of personal income in the States on the basis of latest Department of Commerce data; and

(b) One-half according to the distribution of domestic corporation dividends in the States on the basis of latest Department of Commerce data.

3. Estate and gift taxes are apportioned to the States according to the distribution of estate and gift-tax collections in the States as averaged over the most recent 5-year period.

4. Excise taxes:

(a) Alcoholic beverage tax is apportioned to the States: One-half according to consumption of alcohol in the States; and one-half according to the distribution of personal income in the States.

(b) Tobacco tax is apportioned to the States on the basis of population in the States.

(c) Motor-vehicle taxes are apportioned to the States on the basis of new-car registrations in the States.

(d) Other excises and customs are apportioned to the States according to the distribution of personal income in the States.

5. Other taxes, such as employment taxes, motor-vehicle fuel taxes and certain other highway-user excises have been eliminated from the distribution since they are earmarked by statute for specific uses and are transferred to Treasury trust-fund accounts.

EUGENE F. RINTA, *Research Director.*

Allocation of the Federal tax burden to the States

(Percentages based on formula evolved by the research office of the Council of State Chambers of Commerce)

	Allocation, 1958		Allocation, 1958
Alabama	0.93	New Jersey	4.20
Arizona	.50	New Mexico	.32
Arkansas	.44	New York	13.93
California	10.51	North Carolina	1.36
Colorado	.89	North Dakota	.19
Connecticut	2.25	Ohio	6.18
Delaware	.61	Oklahoma	.91
Florida	2.08	Oregon	.91
Georgia	1.30	Pennsylvania	7.14
Idaho	.24	Rhode Island	.58
Illinois	7.11	South Carolina	.61
Indiana	2.30	South Dakota	.20
Iowa	1.11	Tennessee	1.13
Kansas	.94	Texas	4.23
Kentucky	1.08	Utah	.33
Louisiana	1.17	Vermont	.18
Maine	.41	Virginia	1.68
Maryland	1.90	Washington	1.53
Massachusetts	3.66	West Virginia	.73
Michigan	5.01	Wisconsin	2.05
Minnesota	1.62	Wyoming	.16
Mississippi	.41	Alaska	.10
Missouri	2.39	District of Columbia	.72
Montana	.30	Hawaii	.29
Nebraska	.60		
Nevada	.20	United States total	100.00
New Hampshire	.32		

By direction of the chairman, the following is made a part of the record:)

STATEMENT OF SENATOR JACOB K. JAVITS (NEW YORK) ON SOCIAL SECURITY AMENDMENTS OF 1958 (H. R. 13549)

Mr. Chairman, the Department of Health, Education, and Welfare reports that some 11 million older citizens now receive social-security benefits, more than two-thirds of the population is of age 65 and over. Yet receiving social-security benefits is not enough. The realities of the increased costs of living, with the index for June at a new high of 123.7, make absolutely necessary a reappraisal of these benefits. This 85th Congress has already increased the pensions of veterans, veterans' widows, and retired military, postal, and civil-service personnel, and increased the compensation of members of the Armed Forces and civil service, postal, and legislative employees. Recipients of social-security benefits should receive parallel increases.

We have not discharged our responsibilities merely by the enactment of social-security legislation—these statutes must be kept up to date. I strongly urge that favorable consideration be given to increasing the amount of OASI benefits. We must be vigilant to protect the welfare of our older citizens, who have given the greater part of their lives to the building up of our country.

I am a cosponsor of S. 4121, Social Security Amendments of 1958 introduced by Clifford P. Case, of New Jersey, for himself and Senators Payne and myself, on July 9, 1958, providing for a 10-percent increase in social-security benefits, and urge the committee that the provisions of this measure be included as part of H. R. 13549.

On March 5, 1957, for Senator Ives and myself, I introduced S. 1475, to increase, in the case of children who are attending school, from 18 to 21 years the age until which child's insurance benefits may be received under title II of the Social Security Act.

The present law works a severe hardship on widowed mothers trying to provide a high-school or college education for their children by cutting off social-security benefits when the dependent child reaches 18. However, if the law is amended as proposed in S. 1475, then some 125,000 young Americans now 18 through 20 years of age would receive payments averaging $54 and up to $87 a month until their 21st birthday, so long as they remain in school. Such an extension of social-security coverage will have a long-range cost of approximately four one-hundredths of 1 percent of payroll taxable under the old-age, survivors, and disability insurance program (currently amounting to about $65 million per year).

Some of the groundwork for extending coverage in this manner was laid last year when Congress enacted Public Law 880, which provided that the dependent child who was disabled would continue to receive benefits if the child's disability occurred before age 18.

Today, when the cost of a college education is soaring—when educators estimate that at least 100,000 gifted high-school students cannot afford to go to college—this bill would allow the dependent child an average of over $500 a year to help defray expenses. It seems to me that, at a time when our country must develop the mental as well as the physical manpower to maintain its position at home and abroad in the decades of decision ahead, we must do everything in our power to encourage as many of our youth as possible to complete their education.

When the benefits of an orphaned child are cut off at age 18, as the law now says they must be unless he is severely disabled, the child frequently is forced to leave school. Without the help of the benefit checks, the widowed mother often is unable to support the family, much less to clothe the child for school and pay the costs that go with high-school attendance. Thus, too many children who want to finish their schooling must drop out and try to help support their mothers and younger brothers and sisters.

It is shocking to realize that, in the country as a whole, about 40 percent of the boys and girls enrolled in high school drop out before graduation. Moreover, recent studies by the United States Office of Education show that financial need in the home is a major cause for children leaving high school. Obviously, this applies with special force in the case of the orphaned children receiving benefits under the old-age, survivors, and disability insurance system. The payment of their benefits until age 21 would go a long way toward helping them overcome one of the great tragedies of orphanhood—that of being deprived of a fair start in life because of inability to reach a normal level of education. It seems very obvious that here is an improvement in the social-security program that we cannot afford to leave unmade, both for the good of the children themselves and for the strengthening of the Nation's resources.

In speaking of the urgency of keeping children in school, President Eisenhower has said:

"Each young American owes it to himself, and to his country, to prepare to meet the demands and opportunities of the future. Toward the achievement of this goal, education and training are essential; our schools provide the powers of tomorrow.

"I urge every girl and boy in the United States to continue as students in school until they have developed their God-given capacities to the full. Only in this way can they hope to make their finest contribution to the strength of the Nation and reach the fulfillment of their own life purposes."

There is an ever-growing demand by industry and business for at least a high-school diploma in considering applicants for jobs. The door to advancement and further training is likely to be closed to those who fail to complete high school.

New developments in the professions, and in automation, electronics, and precision machinery, are accelerating the trend toward more and better jobs for the educated. Irregular employment and lower wages will more and more face the uneducated in the years ahead. And our society increasingly requires education and understanding for success as a worker, a family member, and as a citizen of a nation which must provide leadership in a world beset with crises. It is too obvious to need emphasis that any practical step we can take to help children stay in school ought to be taken.

There are more than 500,000 high-school students in the country who have passed their 18th birthday. In many areas, a child may not enter school until the beginning of the term following his sixth birthday. Thus, the 12th year of schooling is often not completed by age 18. It may not even be begun if the child is a year behind because of sickness or for other reasons. Thus, age 18 is far from absolute as a time when children can be deemed to have finished their high-school work. The truth is that when we cut off a child's benefit at age 18 and, thereby, make further attendance at school impossible, we are, in many cases, doing so exactly when the child is at the peak of his high-school career and has a diploma and, perhaps, a scholarship in sight just ahead.

I submit that this is wrong and should not be allowed to continue.

I, therefore, propose that the provisions of S. 1475 be made an amendment to H. R. 13549 now before your committee. The cost of this amendment as I have indicated would be only 4/100 of 1 percent of payroll taxable under the old-age, survivors, and disability insurance program. According to the Secretaries of the Treasury, of Health, Education, and Welfare, and of Labor, who make up the Board of Trustees of the old-age, survivors, and disability insurance trust funds, the old-age, survivors, and disability insurance program is now for practical purposes in actuarial balance. Former Secretary Folsom has recently stated that the system is in essentially sound financial condition for the foreseeable future. The bill passed by the House would further strengthen, and in a very substantial way, the system's financial condition. The cost of the amendment I have proposed is so small that the total effect of the bill would remain that of a further substantial improvement in the financial soundness of the program.

The benefit to the children and to the Nation overshadows the relatively small amount of money involved. To anyone who might say that, even so, the cost is enough to warrant a delay in making the change, I would see that what we cannot afford is the delay, not the cost. By the time we would have an opportunity to consider this again, thousands of children dependent upon social-security benefits will have reached age 18 and had their benefits cut off. How many of these will have to leave school if we fail to provide for continuation of their benefits? What price would we put on the curtailment of their opportunities and the loss of their skills and abilities to the Nation? The answer is simple, I think. The loss would be entirely too much to bear comparison with what it would cost to avoid it.

To anyone who so far agrees but wants a precedent, I will point to the program of benefits for the children of veterans under the War Orphans Educational Assistance Act of 1958 (38 U. S. C. 1031). That program pays benefits to children of deceased veterans to age 21, and even beyond in some instances where the child remains in school. What has been wisely recognized and acted upon there should certainly be added to the basic social insurance system in the country.

I urge that we act now to make this change, and help to this degree to stay the waste of human resources, the foreshortened opportunities, and the heartbreak that result when a child must abandon his school because the social-security law cut off prematurely the means of his attendance.

An immediate need is the lifting of the present $1,200 annual earnings limitation in covered employment for social-security recipients under 70 years of age. This is unfair to the man who wants to keep his hand in, to the family which needs more than the monthly benefit amount to maintain a decent standard of living, and unfair to the economy for the older worker has many contributions still to make. I am the sponsor of a bill to this effect in the Senate, S. 3828, presently pending before your committee, and urge inclusion of this measure as a Senate amendment to H. R. 13549.

AMERICAN HOSPITAL ASSOCIATION,
Washington, D. C., August 1, 1958.

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

DEAR MR. CHAIRMAN: The American Hospital Association is deeply interested in those provisions of H. R. 13549, now pending before your committee, which relate to vendor payments for health care of public assistance recipients.

We strongly supported the action of Congress in 1956 in establishing a separate Federal matching formula for funds expended by States in making vendor

payments, and we believe that the number of States which have initiated or enlarged vendor payment programs in the past year demonstrates that the 1956 amendments have been effective in stimulating the provision of better and more adequate health care for the needy aged and the other groups concerned. These amendments, however, even as modified in 1957, have had the unfortunate and presumably unintended effect of inducing several of the States which had operated the most liberal vendor payment programs to curtail those programs and to shift substantial portions of their health care expenditures to the form of cash payments. It is generally agreed, I believe, that making cash payments to assistance recipients to meet their health needs is an inefficient use of assistance funds and leads to less adequate health care of the needy, and that the shifts in this direction which have resulted from the recent amendments of the Social Security Act constitute a serious backward step.

The changes proposed in H. R. 13549 would solve the immediate problem in those States that have shifted from vendor to cash payments, and permit them to return to the better and more efficient method. These changes would also put the Federal matching formula wholly on the basis of average rather than individual payments by the States, a distinct gain at least from the standpoint of simplicity of administration. Finally, by increasing the Federal matching ratio in States with relatively low per capita incomes, they would provide a strong incentive to the liberalization of the assistance programs in those States. We have no means of judging whether this incentive would be more effective than the 1956 amendments have proved, or less effective, in stimulating the initiation and expansion of vendor payment programs in those States.

Our association, as I have said, is firmly of the view that separation of Federal grants for health care from grants for cash assistance is desirable. In view of the questions which surround the future role of the Federal Government in public assistance, and particularly in old-age assistance, and the future relation of these grants to OASDI, we believe that the long-run objective of building and maintaining adequate health care programs for needy people throughout the Nation will be better served by maintaining this separation than by entangling health funds once again in these other issues.

Despite these considerations, the advantages which would follow from enactment of H. R. 13549 are such that I do not feel warranted, at least in the absence of opportunity for more extensive study by our association, in urging against its enactment. If, however, your committee should, for any reason, reject these provisions in the form in which they were passed by the House of Representatives, I would most earnestly urge that you increase the present $6 and $3 ceilings for the matching of vendor payment expenditures to $18 for adults and $6 for children.

If a separate calculation for matching health expenditures is to be continued, we can see no reason why the Federal Government should contribute a smaller share of the cost of meeting the health needs of the indigent than it contributes to their other costs of living. Assuming $25 a month to be the cost of a reasonably adequate health program for the indigent aged—this figure was exceeded by 6 States in June 1957, the highest expenditure being more than $32—the Federal contribution would be 12 percent under present law and 36 percent under our proposal. While the difference in present formulas makes precise comparison difficult, I think it cannot be questioned that even under our proposal the Federal Government would be contributing a smaller proportion of the cost of health care programs, in States with low levels of expenditure as well as in States with high, than it contributes to the cash maintenance programs. A lessening of these disparities we think is plainly called for and is needed without delay if several of the best vendor payment programs are not to deteriorate further.

I should appreciate it if you would incorporate this letter in the record of your committee.

Sincerely yours,

ALANSON W. WILLCOX,
General Counsel.

QUINCY, ILL., *August 1, 1958.*

Hon. HARRY F. BYRD,
Chairman of the Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: The radio announcement this morning, commenting on the topheavy vote in the House of Representatives on the proposed increase in social security benefits and taxes, indicates that there may be considerable

question as to whether the proposed legislation will get speedy approval by your committee.

Perhaps you have seen the monthly letter, issued by the First National City Bank of New York, commenting on the large number of social security bills before Congress:

"The flood of proposed changes comes at a time when the present system is showing visible signs of financial strain. Social security tax collections are running well below the amount of benefit payments and the program is expected to show a deficit this year—something that wasn't supposed to happen for many years.

"In the light of these developments, and with the full impact of liberalizations over the past few years not yet evident, it is only commonsense to weigh carefully all proposals that would widen the scope of the system even further."

It does seem to me that, since the time of the report of the Advisory Council on Social Security Financing is so near, it will be very desirable to have the results of a study of that council before further changes in the social security setup are made.

It seems to me it will be very wise for your committee to refuse to recommend increasing social security benefits and taxes at this time. I will feel that I have inhaled a breath of fresh air if the Senate refuses to go along with rolling of the snowball which I feel social security increases have become, particularly in this election year.

Yours very truly,

NATE MACK.

HOPEWELL, N. J., *August 4, 1958.*

Hon. HARRY BYRD,
United States Senate,
Washington, D. C.

DEAR SENATOR BYRD: It is my understanding that H. R. 13549, dealing with social security benefits and taxes to provide those benefits, will shortly come before your Senate Finance Committee. It is my opinion that the provisions of this bill merely attempt to keep pace with an expected continuation of inflation, and that it does nothing to try to control that inflation.

An increase in benefits is always popular, but I think every opportunity should be afforded the people back home to appraise the effect of the tax increases. To this end I believe that it is very important that hearings be scheduled on this bill and a thorough and exhaustive study be made before it is reported out for Senate action.

The increase of one-fourth of 1 percent in 1960, which is often publicized in the press, seems little enough increase in the tax when compared to the increase in the benefits, but when the stepped-up scale of increase is considered, the 4½ percent in 1969 is a discouraging prospect for both individual and employer. I believe the effect could be more far reaching on the employer than on the individual, and I am not an employer. We are not far now from the conditions of diminishing returns as far as increasing taxes goes, especially on business. I believe H. R. 13549 will do more harm to the economy than it will good.

Sincerely,

KENNETH L. WILLIAMSON.

LA GRANGE, ILL., *July 31, 1958.*

Senator HARRY F. BYRD,
Senate Office Building,
Washington, D. C.

DEAR SENATOR BYRD: I implore you to oppose any and all further increases in social security benefits and taxes, such as just passed by the House. The great mass of middle class Americans are not in favor of the whole idea of social security because it destroys motives for thrift and incentive.

I strenuously object to having forcibly deducted from my salary such a large percentage today. What it will be tomorrow frightens me.

In addition social security has had so many political implications that I am convinced that it is not on a sound actuarial basis, and never will be.

Please help us from being engulfed by this tide of taxation.

Yours very truly,

HENRY D. HOGE.

KOEHLER-PASMORE CO.,
Detroit, Mich., August 4, 1958.

Subject: Social security taxation and benefits increase.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.:

It is truly unfortunate that the House allowed itself to be stampeded into an approval of increased social-security rates and taxation at this time.

At a time when our economy is in need of a reduction in taxation, we find the Federal Government actually increasing the rate of taxes on individuals. This is certainly inconsistent, to say the least.

The small pittance of increase in benefits will be of no material benefit to the recipients, as it is very clearly a sop to gather votes; but the increased taxation will be a hindrance to our recovery, not only in this year, but the years to come. As I understand it, in the next 10 years, the aggregate tax will be 9 percent; half coming from employer and half coming from employee. That is a terrific amount of money to be extracted from the pockets of the wage earner and businessman. I don't quite see how we can expect any great enthusiasm on the part of either one of those taxed groups toward increased production and earnings when it is so quickly siphoned off by the Federal Government.

I do ask that this entire piece of legislation be buried in committee so that it does not become effective at this time. It is hoped that at the next session of Congress, the Senate can then take it out of its pigeonhole and disapprove it completely.

ROLAND C. KOEHLER.

STATE OF NEW YORK,
DEPARTMENT OF SOCIAL WELFARE,
Albany, July 30, 1958.

Hon. IRVING M. IVES,
United States Senate,
Washington, D. C.

DEAR SENATOR IVES: The Ways and Means Committee of the House of Representatives has come up with two identical bills—H. R. 13550 (Reed of New York) and H. R. 13549 (Mills of Arkansas) amending the Social Security Act.

These bills have many provisions which will be of advantage to our welfare programs in New York State.

Basic, of course, is the provision of cost-of-living increases in the insurances. Such increases always act to reduce the amounts we need to spend for assistance.

There are changes in the several formulas of Federal participation in our assistance programs which will result in an estimated saving in our State and local welfare budgets of approximately $18½ million each on an annual basis.

There are also changes we have long sought to simplify our administrative problems in the introduction of an average grant principle of payments, in improving the methods of payment for medical care, and in removing the rurality provisions in the child welfare services allocations.

We commend these bills to you for favorable consideration and action when they reach the Senate.

If there is any information you wish in connection with the bills, we will be happy to supply it.

With all good wishes.

Sincerely yours,

RAYMOND W. HOUSTON,
Commissioner.

EASTERN NEW YORK OPTOMETRIC SOCIETY,
Albany, N. Y., July 30, 1958.

Hon. JACOB JAVITS,
United States Senate,
Washington, D. C.

MY DEAR SENATOR JAVITS: I am writing to you on behalf of the Eastern New York Optometric Society, and wish to call your attention to certain legislation about which we are concerned.

During recent hearings held by the Ways and Means Committee on bills to amend the social security law, the American Optomertic Association, with which

we are affiliated, recommend that any legislation which might be favorably reported by the committee should include the following language:

"It is hereby declared to be the intent of Congress that the services of all duly licensed practitioners within the scope of their practice as prescribed by the laws of the jurisdiction in which the service is rendered shall be made available to all beneficiaries or recipients of Federal aid and to that end the term "health care" should hereafter be deemed to supersede the term "medical care," save and except where the service to be rendered can only be performed by a duly licensed doctor of medicine."

If this amendment is passed, it will enable optometrists to take part in Federal health benefit programs. As you know, optometry is the profession specifically licensed and trained to care for vision, and the interests of the public will be best maintained by the inclusion of this amendment.

Very truly yours,

H. Z. KUDON, *President.*

STATE OF ALABAMA,
DEPARTMENT OF PENSIONS AND SECURITY,
Montgomery, Ala., August 7, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
United State Senate, Washington, D. C.

MY DEAR SENATOR BYRD: We are delighted to learn that the Senate Finance Committee will hold public hearings on H. R. 13549 (Social Security Amendments of 1958). Since it will be impossible for me to testify, I should like to register with the committee my comments on this legislation.

We have reviewed H. R. 13549 as it was passed by the House of Representatives. We have also reviewed the committee report on this bill. We are tremendously interested in the benefits which will accrue to Alabama people if this legislation is enacted. We take cognizance of the improvements in the old-age, survivors, and disability insurance program, as well as in the public-assistance titles. Both phases of the act would mean material benefits throughout Alabama.

When the House Ways and Means Committee was holding hearings on the bill, it was my privilege to file a statement in regard to proposed Social Security Amendments of 1958. A copy of this statement is attached for your records. We recognize that H. R. 13549 incorporates some of the recommendations which we have set forth.

We would hope that your committee will make a favorable report on H. R. 13549 as soon as possible so that passage can be assured during the current session of Congress.

We will appreciate your furnishing us with a copy of the report of the Finance Committee on this subject.

Sincerely yours,

J. S. SNODDY, M. D., *Commissioner.*

STATEMENT BY J. S. SNODDY, M. D., COMMISSIONER, ALABAMA DEPARTMENT OF PENSIONS AND SECURITY, FILED WITH THE HOUSE WAYS AND MEANS COMMITTEE ON PROPOSED SOCIAL SECURITY ACT AMENDMENTS, 1958, JUNE 1958

I am J. S. Snoddy, commissioner, State department of pensions and security in Alabama. Both the State department and the 67 county departments of pensions and security are agency members of the American Public Welfare Association. In addition, many of us who work in the program are individual members of the association. Dr. Ellen Winston, president of the American Public Welfare Association, has presented the official testimony for the group.

The department of pensions and security in Alabama administers the public-assistance programs authorized in titles I, IV, X, and XIV of the Social Security Act. Likewise, it administers the child-welfare-services program authorized in title V, part 3, of the act. Before dealing with the specifics of the programs with the department administers, I should like to emphasize our strong belief that the contributory income-maintenance programs—both unemployment insurance and old-age, survivors, and disability insurance—authorized under the Social Security Act should be broadened and strengthened. In fact, we have long supported these insurance programs as the American way of meeting the income-maintenance needs of people and have advanced improvements in it.

UNEMPLOYMENT INSURANCE

The necessity to enact emergency Federal legislation this year to alleviate conditions occasioned by continued unemployment of many who exhausted their benefits under State laws graphically points up the need in the area of adequacy and duration of benefit payments through unemployment insurance. The program should also be strengthened with respect to coverage. Daily, we come in contact with the employable unemployed who do not qualify for unemployment-compensation benefits because they have not worked in covered employment. Likewise, some of the persons receiving benefits seek supplemental aid for medical care or other special needs because of the inadequacy of benefits.

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

Old-age, survivors, and disability insurance payments are inadequate to meet basic needs in terms of the present cost of living. That benefit payments should be more adequate is illustrated by the fact that nearly 1 out of every 6 old-age-assistance payments in Alabama in February 1958 supplemented an inadequate old-age, survivors, and disability insurance benefit. To further illustrate the point, in February 1957, assistance payments to aged persons who also received insurance benefits amounted to 18.4 percent of the total old-age-assistance payments in the Nation.

Besides more adequate payments, there should be extension of coverage, both as to wage earners and types of risks still excluded. Alabama, in June 1957, had only 39.8 percent of its aged population receiving benefits. This compares with 52.4 percent for the Nation and 66.5 percent for Rhode Island, the State with the highest percentage. Our county workers are trying hard to assist our recipients in getting covered for OASDI benefits—especially farm and domestic workers.

Also, an increase in the amount of earnings creditable toward benefits should be made, to keep that amount in line with current conditions. In addition, contributions should be increased to cover the cost of the changes and to insure that the program is financially sound.

PUBLIC ASSISTANCE

Formulas and maximums

Matching formulas for the public-assistance programs expire June 30, 1959. We urge that no change be made in the Federal matching formulas or maximums in which the Federal Government will participate which would result in a reduction in the Federal share of assistance, services, or administration. We believe that Federal participation should be on an equalization grant basis provided by law. We also believe that the formula should apply to financial assistance (including medical care), to welfare services (including child welfare), and to administration. We regret that the 1956 medical-care amendments require equal State matching of Federal funds throughout the entire country. Thus, Alabama and other low per capita income States have as heavy a matching responsibility as do the wealthy States. We are deeply concerned about this and, in fact, about the absence of adequate equalizing provisions in all phases of the public-assistance provisions of the act. The result is that grants in Alabama fall far short of the minimum for health and decency.

We urgently request careful consideration of an amendment to provide Federal participation on the average payment for recipients, rather than the payment to the individual recipient. This would simplify and improve the administration of the program.

Appropriations

We strongly urge that there be no change in the present provisions of the Social Security Act with respect to open-end appropriations, both for public assistance and for public-assistance administration. This basic, long-range policy has proved effective over the years, and provides the kind of flexibility which is essential if need is to be met promptly. Human need is never easy to predict, and is often influenced by factors beyond the control of the individual. This is graphically illustrated by the effect of the unfavorable economic conditions in the aid-to-dependent-children caseload. Since January 1957, and without any major changes in law or policy, the aid-to-dependent-children caseload in Alabama has risen by 13.31 percent.

We are eager to implement the 1956 training amendments because we need better trained personnel in our programs. Our workers carry heavy responsibilities. If they had better training they would be in a more advantageous position to help recipients to become self-supporting or to take care of themselves or to strengthen family life. In addition, workers would be more adequately equipped to make proper determination of eligibility for payments.

Also, badly needed are funds for research into the causes of the wide variety of human problems which come to the attention of our workers day by day. If we know more about the causes of the problems, we could more intelligently seek ways to prevent them. We realize you are considering amendments to the Social Security Act, but we could not forgo pointing up the importance of implementing the present authorizations with appropriations.

General assistance and other needed amendments

Human need is not confined to certain groups for which special provisions have been made. By certain groups we mean the veterans; the needy aged, blind, permanently and totally disabled, and dependent children (under certain conditions;) the retired workers; the employable unemployed, etc. By special provisions we mean benefits paid as a right; public assistance to the needy who qualify; public or private, contributory or noncontributory, retirement benefits. There are numbers of people who do not fit into any of these groups. For these men and women, boys and girls, we advocate that the Federal Government authorize by law, and participate in, the cost of an assistance program. For want of a better term, it might be called general assistance.

Private resources and local and State governments now provide the only assistance available to this group. In Alabama, State and local funds for the needy are limited. We use the State funds primarily for the federally matched categories, because in that way the limited State funds will earn Federal money and, thus, go farther toward meeting need.

As we reported to your committee on March 28, 1958, people are applying to our county departments who know that they do not qualify for aid administered by the agency. We recommended that to alleviate the present situation prompt consideration be given to making Federal funds available without State matching to meet the needs of these people. We continue to make this recommendation.

If it does not seem feasible at this time to establish a general assistance program, we would urge that serious consideration be given to broadening the base of the aid to dependent children and aid to the permanently and totally disabled categories. The present eligibility requirements for aid to dependent children almost put a premium on fathers deserting their families. If a father is unemployed and can find no work, aid to dependent children payments are denied his children as long as he remains in the home. Should he desert, however, the children could be eligible for aid to dependent children payments. It is not surprising, therefore, that in February 1956 in 17.9 percent of the families receiving aid to dependent children in Alabama the father had deserted. This percentage is only a little higher than the 15.5 percent of deserting fathers for the Nation as a whole that month.

The program of aid to the permanently and totally disabled would be greatly strengthened by deleting the words "totally and permanently." Daily numbers of people come to the attention of our county workers who are ill, but do not meet the definition of having an illness which is permanent and is totally disabling. We think it would be a sounder investment, both in terms of human values as well as financial costs, to assist these people to become self-supporting rather than to deny aid until such time as their disability becomes both total and permanent.

In addition, we believe it would be extremely helpful if residence requirements were made uniform throughout the country. This would prevent the deprivation of aid because a person loses his right to assistance in one State before he gains it in another.

CHILD WELFARE SERVICES

We were pleased that a 1956 amendment to title V, page 3, of the Social Security Act raised the annual authorization for child welfare services to $12 million. We have been disappointed, however, that the full authorization which is far too small has not been appropriated. We urge that the authorization be increased and that the full authorization be appropriated.

The present $12 million authorization is not sufficient to provide adequately for services to children in rural areas and in areas of special need.

We recommend that the committee give serious consideration to removing the restriction on the use of child welfare funds in only rural areas and areas of special need. It has been our experience since 1935 that problems of children are not limited to rural areas and that services to children should be available regardless of where they live.

We recommend still another amendment to this section of the Social Security Act. This amendment would authorize the use of child welfare funds for delinquent children as well as those in danger of becoming delinquent. We believe that the strengthening of the child welfare services grant program in these respects not only will provide increased preventive services but, also, will focus more attention on services for the care and treatment of the delinquent child as a part of an overall child welfare program.

CONCLUSION

We appreciate the opportunity of filing this statement with your committee which has made constructive amendments to the social security program in the more than 20 years since its original enactment. We agree with you that a well-rounded and improved system of social insurance and public welfare services is basic to the security of all the people of this great Nation. Certainly our experience during the past several months with a declining economy has underlined the importance of the social security program, not only to individuals, but to the basic economy of the Nation. At the same time, it has graphically pointed to the need for improving and strengthening the program in terms of present conditions.

NORTH CAROLINA STATE BOARD OF PUBLIC WELFARE,
Raleigh, August 8, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: State and county public welfare boards and staffs in North Carolina are greatly pleased by the careful consideration being given in this session to amendments to the Social Security Act to provide much needed help for the aged, disabled, and children under the OASDI, public assistance, and child health and welfare titles. Because of our area of responsibility, we want to emphasize particularly increasing public assistance grants to needy people and administrative improvements in both public assistance and child welfare. We earnestly hope, therefore, that the Senate Finance Committee will give favorable consideration to the improvements contained in H. R. 13549 to the end that they will be enacted into law before Congress adjourns.

Sincerely,

Dr. ELLEN WINSTON, *Commissioner.*

STATEMENT OF SENATOR CHAPMAN REVERCOMB TO SENATE FINANCE COMMITTEE ON SOCIAL SECURITY AMENDMENTS

Mr. Chairman and members of the committee, I appreciate very much the opportunity to file a statement in support of H. R. 13549 and other needed amendments to the Social Security Act.

First, I am in favor of increasing benefits to those now retired, as the House bill under consideration provides. However, it is my feeling that Congress must make further improvements in the social-security system if we are to make it more applicable to the needs of the times.

Among the most needed improvements is this insurance program, it seems to me, are lowering the minimum retirement age and liberalizing the disability provisions of the 1956 amendment to the Social Security Act.

Several years ago I offered amendments to reduce the retirement age to 60 and to provide for the payment of benefits to the permanently disabled at any age. Although these amendments were not adopted at the time, the 84th Congress saw the wisdom of extending social-security benefits to permanently disabled workers of 50 or over. Also, widows and dependent mothers were made eligible for full benefits at age 62, while wives and women workers were permitted to apply for actuarially reduced benefits at the same age.

These were important steps forward, but they do not go far enough.

I have introduced three bills in the Senate which I feel would greatly improve the social-security program and which I respectfully urge the committee to consider favorably. They would accomplish the following:

(1) Lower the minimum retirement age to 62 for both men and women.

(2) Clarify the meaning of the term "disability" in determining who is entitled to disability insurance.

(3) Reduce the number of quarters in which a permanently disabled person can qualify for benefits.

By reducing the minimum retirement age from 65 to 62, as my bill (S. 3377) provides, we would be bringing the Social Security Act more in line with other Government and private retirement plans. Under this provision, some 1,200,000 women between the ages of 62 and 65 would become eligible for benefits, and the same opportunity would be extended to some 1,825,000 men.

A great majority of these persons, if gainfully employed and in good health, would certainly choose to continue working rather than to accept the small sum monthly benefits from social security. The facts clearly show that most people go on working as long as they can and that they apply for social-security benefits only when they are forced to do so either because of health reasons or because they cannot find jobs. In fact, the most recent study made showed that only about 5 percent of the people applying for benefits did so voluntarily. The rest had been forced to retire because of conditions of health or because they were unable to find employment at their ages.

The age 65 figure was chosen quite arbitrarily back in 1935 when the system was established. Inasmuch as the original plan has been substantially changed in other areas to meet new and changed conditions in our economy (greater production per worker, more women employed, machine production and growing population), it has always seemed strange that this age 65 for retirement should have been considered a cornerstone of the act for so long a time. This provision, however, went unchallenged until the last Congress made a small crack in the retirement age barrier.

In these 1956 amendments, widows and dependent mothers were made eligible for full benefits at age 62, while wives and women workers could apply for actuarially reduced benefits at the same age. This important step provided much-needed benefits to many American women, but it discriminates against a great many others. Moreover, it fails entirely to recognize the critical situation in which many men and women find themselves between the ages of 62 and 65.

My bill simply recognizes the fact that disability, age restrictions on employment, and other circumstances can more effectively force an individual's retirement than does his chronological age.

I can think of no sounder step the Congress might take to alleviate hardships and suffering among older workers than to lower the minimum retirement age. It is my hope this step will be taken by the 85th Congress.

Likewise, the disability program needs to be brought more in line with the humane purposes the Congress intended.

The strict administrative interpretation that has been given to the meaning of the term "disability" should be overcome.

I have been greatly concerned by the number of older workers who have written to me to point out that they are too disabled to compete in employment with their younger contemporaries. Though in fact unable through disability to actually obtain work, yet, for one reason or another, they cannot qualify for disability benefits which were authorized by the 1956 amendments.

In many instances disabled workers, failing to qualify for benefits because of technical reasons, must look to charity for a bare sustenance—a condition demoralising in itself. Many such persons, who have paid into the social security fund, naturally resent being forced to become wards of the State. Yet, that is precisely what is happening under the rigid interpretations given to Public Law 880.

How much better it would be, it seems to me, to have these people, if past 50 and if unable to obtain work because of total and permanent disability, qualify for benefits under social security than to compel them to depend on public relief.

I submit that disability coverage should be extended to any worker who is determined to be permanently and totally disabled under a more liberal definition of this term, and who has had at least one quarter of coverage.

I have introduced bills (S. 1811 and S. 1812) which would accomplish both of these needed objectives, and it is my hope that these measures will also receive favorable consideration by the committee.

Whether we like it or not, the facts of our time are definitely pointing to the wisdom of liberalising the program. The very genius of our productivity—which makes it possible for 1 man to do the work which required 8 men 50 years ago—is shortening the length of our working life just as certainly as it has shortened the working week. I am convinced that our social security system must be brought up to date in this respect.

I fully realise that the amendments I have proposed will require an increase in the social security tax. However, I am confident that most people appreciate the importance of keeping the social security system on a self-supporting basis. I am also confident that it is not only desirable but necessary that this program be improved to meet more adequately the needs of this growing industrial age if our older citizens and those who are disabled are to be afforded protection against suffering and poverty.

Social security, administered by Government, upon a self-sustaining plan supported by contributions from the employee and employer, is an established and laudable function of Government, and it should be adequate to fulfill its purpose.

It is my hope that this committee will not only approve the provisions contained in H. R. 13540, but will also recommend the additional changes I have here proposed.

STATEMENT OF THE NATIONAL COAL ASSOCIATION ON H. R. 13549

The National Coal Association is the trade organization of bituminous coal-mine owners and operators throughout the United States. Its members mine more than two-thirds of the commercially produced bituminous coal in this country.

H. R. 13540 which is now under consideration by your committee, would effect several amendments to the Social Security Act. Among these amendments would be an increase in the present tax base from $4200 to $4800, an increase in the current tax rate from 2¼ percent to 2½ percent each on the employer and employee, and a liberalization of the benefits under the act.

Under present law, the maximum payment by the employer and employee is $94.50 each. If the proposal above referred to is adopted, the additional tax burden on the employer and employee would be $25.50 each. Thus, the maximum social security tax burden on each (the employer and the employee) would be $120 per annum.

The coal industry's wage scale is among the highest of all industries. More than 60 cents of every sales dollar is represented by direct labor costs. This may be compared with industries where not more than 20 cents of every sales dollar is represented by wages. In addition to the industry's social security tax liabilities, the industry's employers pay 40 cents per ton to the welfare fund of the United Mine Workers of America. Further, the coal industry operates on a low margin of profit.

Your attention is directed to the disproportionately heavy burden imposed on industries such as coal when taxes are assessed uniformly against payrolls. The figures illustrate that flat rate payroll taxes are not, in fact, uniform in their impact upon industries; that, in the case of coal, the tax is twice or three times as large per dollar of sales as in industries where the wage scale is smaller.

As recently as 1953, the social security tax imposed upon employers in the coal industry aggregated a little less than $15 million, or a tax rate of $0.033 per ton. Bituminous coal production in that year was slightly over 457 million tons. In 1957, by which time bituminous coal production had increased by roughly 33 million tons to a total of 490 million tons, the social security taxes paid by employers in this industry had jumped to approximately $28.5 million or $0.058 per ton. If the proposed increase becomes law, the approximate levy on bituminous coal producers (for the employers' share of the tax alone) in 1959 will be slightly less than $35 million, assuming the same tonnage as for 1957. This amounts to a social security tax of $0.073 per ton paid by employers. Details are given in the attached table A.

Compared with crude petroleum and natural gas, which are, of course, coal's principal competitors, the social security levy on coal production is outstandingly heavy. In 1957, for example, amounts of crude petroleum and natural gas equivalent to roughly 1 billion tons of coal were produced. Employer-paid social security taxes on such production totaled somewhat less than $35 million. If this production had, in fact, been 1 billion tons of coal instead of the equivalent amount of oil and gas, the social security taxes paid by employers would have been almost $60 million. Please see attached table B for details.

Is this the time to increase social security taxes as provided in H. R. 13549? We seriously question it and invite your earnest consideration of the principle involved.

A. Bituminous coal production and employer social security tax, 1953–59

	Production, tons (1)	Employer social security tax [1] (2)	Employer social security tax rate (per ton) [2] (3)
1953	457,290,000	$14,983,000	$0.033
1954	391,706,000	15,789,000	.040
1955	464,633,000	21,378,000	.046
1956	500,874,000	23,040,000	.046
1957	490,000,000	28,420,000	.058
1959	490,000,000	35,770,000	.073

[1] Amount of tax for 1955 through 1959 computed, based on estimates in col. (3).
[2] Rate per ton for 1953 and 1954 based on actual data from Social Security Administration. Rate for years 1955 through 1957 based on actual data for 1953 and 1954, and change in rate of tax from 1½ to 2 percent on Jan. 1, 1954, and to 2¼ percent on Jan. 1, 1957; and change in base coverage from $3,600 to $4,200 on Jan. 1, 1955. Rate for 1959 based on change in rate of tax from 2¼ to 2½ percent, and change in base coverage from $4,200 to $4,800 on Jan. 1, 1959.

Source: U. S. Bureau of Mines and Social Security Administration.

B. Crude petroleum and natural gas production in coal equivalent tons and social security tax, 1953–57

	Crude petroleum and natural gas production (thousand coal-equivalent tons) [1] (1)	Computed employer social security tax on coal-equivalent tons at rate paid by coal industry [2] (2)	Employer social security tax [3] (3)
1953	869,733	$28,701,000	$14,630,000
1954	874,618	34,985,000	21,175,000
1955	939,466	43,215,000	26,305,000
1956	996,603	45,844,000	27,905,000
1957	1,022,023	59,277,000	35,771,000

[1] Crude petroleum converted to coal equivalent at rate of 4.517 barrels per ton; natural gas at rate of 24,372 cubic feet per ton.
[2] Based on rates shown in col. (3) of table marked "A".
[3] Based on actual data from Social Security Administration for 1953 and 1954; and for 1955 through 1957 estimated on basis noted under footnote 2 of table marked "A".

Source: Col. (1), U. S. Bureau of Mines; cols. (2) and (3) computed.

STATEMENT BY GEORGE MCLAIN, NATIONAL INSTITUTE OF SOCIAL WELFARE, WASHINGTON, D. C., SUBMITTED TO SENATE FINANCE COMMITTEE

Mr. Chairman and members of the committee. My name is George McLain. I am president of the National Institute of Social Welfare with offices at 200 C Street SE., Washington, D. C., and main headquarters at 1031 South Grand Avenue, Los Angeles 15, Calif.

By way of identification, let me say that the National Institute of Social Welfare is a nonprofit corporation, set up specifically to represent the aged, blind, physically handicapped, and dependent children on the local, State, and National level. It has been our job, through the past 17 years, to work in behalf of America's aged and needy citizens, most of whom depend entirely upon the social-security and public-assistance programs for their survival.

It is, therefore, with great joy that our people have greeted congressional action this year on the Social Security Act. We heartily commend the Senate Finance Committee for its rapid action in scheduling hearings on the House-

passed bill, H. R. 13549. We believe that H. R. 13549 is a good bill—so far as it goes. But nobody can argue that it meets the need in the important social-security and public-assistance field.

ADMINISTRATION STAND

Before I even get into the merits or omissions of H. R. 13549, I want to go on record as being completely shocked at the stand taken by our new Secretary of Health, Education, and Welfare, Arthur S. Flemming, on Friday, August 8.

You will recall at that time, the Secretary recommended that the small liberalizations of our public-assistance programs be stricken from the bill. Indeed, he literally demanded that this be done, threatening a presidential veto of the whole bill if it is not. I should like to be charitable to the new Secretary by suggesting that his limited time on the new job may not have afforded him sufficient opportunity to become completely familiar with human needs which are supposed to be considered by his good offices of health, education, and welfare. However, while Secretary Flemming may be new to HEW, the song he sang last Friday is as old as the office he occupies. The "Budget Bureau Blues" have been HEW's theme song since Oveta Culp Hobby first arrived in Washington to put the skids under progress in the health, education, and welfare fields.

Again the specter of a Federal deficit is cast as the "bogeyman" to scare lawmakers away from heeding the cries of our most needy, helpless people; the aged, blind, physically disabled, and dependent children who must somehow survive on public-assistance checks averaging a little over $55 per month nationwide. These are the really tragic victims of inflation, caught in the squeeze between the steadily rising cost of living and hopelessly inadequate doles.

Yet you are told by this administration that the measly $288 million a year, provided by the House Ways and Means Committee in H. R. 13549, to give a little helping hand to our 5 million most distressed citizens is going to add to the $12 billion Federal deficit.

What gall. What bitter, bitter gall for the people of these United States to try and swallow. How unnerving to watch such blatant disregard for struggling human life. Indeed, I question if history can record a more publicly heartless attitude than was demonstrated before this committee by Secretary Flemming, in the name of the Eisenhower administration.

I firmly believe that it is wholly to the credit of the United States Congress that the past 6 years have not seen the Department of Health, Education, and Welfare do completely away with any need for a Federal Department of Health, Education, and Welfare.

And I have confidence that you will again in this 85th Congress pay heed to the desperate circumstances of our needy people. Let the President bear responsibility for denying aid to our starving people if he will, through veto. Let it be on his conscience that his seventy-odd-billion-dollar budget could stand astronomical foreign-aid appropriations, subsidies for every kith and kin in his big-business league; but that it could not stand a piddling $5 more a month for our old, our lame, our defenseless children.

Yes, leave the President with his conscience—to live with it—if he can.

But, let not the 85th Congress adjourn bearing the same burden of inhumanity. Rather, I urge that you look even beyond H. R. 13549, to more fair and equitable public-assistance amendments.

INEQUITIES IN H. R. 13549

For several years, we have advocated adoption of a variable-grant system of Federal public-assistance contributions based on each State's per capita income. We believe this to be the surest way to help equalize the program so that all our needy people are assured at least subsistence payments. The House is to be congratulated for writing this principle into H. R. 13549.

However, the variable-grant system is totally unfair to the higher income States, as it is written into the House bill, without an increase in the ceiling on the 50-50 matching of Federal-State funds.

No such increase is in H. R. 13549. It merely takes the present $60 ceiling and adds to it, the $6 ceiling on the matching of funds for the medical-care program passed 2 years ago by Congress; thus making the so-called new ceiling of $66. Its practical effect is to reward those high- and middle-income States who have not put up the $3 in States' funds necessary to receive the $3 in Federal

funds for the medical program, by just giving them the Federal money anyway.

At the same time, it penalizes those States who have acted in good faith to the Federal Government and their own needy people by appropriating State funds during the past 2 years to utilize the medical-care program.

A glaring example of this can be found in the treatment meted out to my home State of California under H. R. 13549. California has historically spent far and away more State funds in caring for its needy than any other State. In October of 1950, when the social-security amendments became law, California's old-age-assistance recipients were the first in the country to receive full benefit from the $4 a month increase in Federal funds voted by Congress. And at the very first opportunity, during its 1957 general session, the California State Legislature not only voted an increase in benefits to be paid entirely by the State, but appropriated an additional $14 million to put into effect the medical-care program.

Now, along comes H. R. 13549, and California, which has consistently put forward the most State effort, stands to gain the least Federal encouragement. Under this bill, California would receive only $1.66 per recipient per month. Only Mississippi would receive less and that's because Mississippi—being lowest in per capita income—has never found the money to provide more than a token public-assistance payment.

California is by no means alone in this unfair treatment. Look down the list on page 41 of the Ways and Means Committee report—Social Security Amendments of 1958—and you will find that other high and upper-middle income States are victims of the same injustice, although to a lesser degree.

SENATE AMENDMENTS

This can and should be corrected in this committee. It can be easily done in either one of the following three ways:

1. Adopt the variable-grant and average-payment principle of the House bill, but retain the present separate matching on $6 for the medical-care program and raise the Federal ceiling on general payments from $60 to $70; or

2. Adopt the full principle of the House bill including lumping the general and medical payments together, but raise the ceiling on the matching of total funds to $75 per month; or

3. Rewrite the public-assistance provisions of H. R. 13549, by substituting an amendment similar to the one introduced by Senator Russell Long in May. This amendment would have the Federal Government continue to pay $24 of the first $30 paid to the aged, blind, and physically handicapped, then two-thirds of the amount up to $45, and, finally, half of the amount up to a new ceiling of $70.

The additional cost of either 1 of these 3 amendments would be nominal, yet the effect would be to assure more equal distribution of Federal help to all our needy citizens.

One further word in regard to the necessity for increasing public-assistance payments along with old-age and survivors insurance benefits. You may recall that in 1954 Congress granted a $5 increase to OASI beneficiaries, without providing a corresponding increase in old-age assistance. Nearly half of the aged on public assistance are also beneficiaries of small social-security checks. But, since their total income is dictated by public-assistance standards, the increase they received in OASI was automatically deducted from their assistance checks, leaving them with no increase at all.

Members of Congress who voted for the social-security increase were dismayed when constituents kept writing in that they did not receive it. This is the reason. And the same thing will happen again if old-age-assistance payments are not increased along with OASI benefits.

OLD-AGE AND SURVIVORS INSURANCE PROGRAM

We heartily approve the changes made in the old-age and survivors insurance program. We're particularly pleased with liberalization of the stringent disabled provisions.

It is difficult to understand, however, why the House limited increased benefits to just 7 percent. Particularly in view of the fact that the Ways and Means Committee itself said that living costs have risen by 8 percent and wages by 12 percent since the last OASI increase in 1954. Obviously the aged beneficiaries have been living on incomes which nowhere nearly cover the cost of living these past 4 years.

Now, when Congress appears ready to grant an increase it does not even catch up with the cost of living much less make allowances for the years to come during which the new benefit schedule will be in effect.

Late last session the Honorable Aime J. Forand introduced a measure providing a 10-percent increase with a minimum of $5 per month. During the intervening months many other Congressmen and Senators have introduced similar legislation and all have commanded wide interest and support. In view of the financial straits that the majority of our elderly people on social security live, it is not surprising that the Forand proposal was greeted with immediate national support.

No reasonable person can argue against the justice of increasing OASI benefits by an average of 10 percent. It's only a matter of simple arithmetic, to realize that this little amount hardly covers the increased cost of living.

In this very session, Congress has already recognized the cost-of-living problem by granting increases to all Government employees. If anyone, in this whole wide world really needs increased income to offset increased living costs, it is the people over 65. Two-thirds of them now exist on incomes of less than $1,000 per year.

For the immediate present I sincerely urge this committee to increase OASI benefits by a minimum of 10 percent. I realize that this proposal has the greatest chance of passage in this session of Congress.

However, in the not-too-distant future, this committee must give serious consideration to a substantial increase in social security benefits, particularly in the lower brackets. A clause basing increases and decreases on a cost-of-living index, should be included. This cost-of-living technique was originated by Denmark after the First World War and has now been widely and successfully copied in socially alert countries throughout the world.

HEALTH INSURANCE FOR OASI BENEFICIARIES

Many of us were heartsick when the House passed H. R. 13549 without including in it a health insurance program for OASI beneficiaries. We fully realize that the lack of time left to act on social security bodes ill for any such program being included by this committee. However, we sincerely hope the Senate will not wait for House action in this important field. But, will instead, initiate full hearings on the subject soon after the 86th Congress convenes.

The costs of medical care have skyrocketed. Even the American Medical Association must admit to this fact. The pressing problem of low-income groups has always been, "* * * how are we going to pay the doctor bills?" Hospital costs have increased by 285 percent. Physicians' charges by 87 percent since World War II. This problem has increased each passing year. Not a single solution has been found, or even attempted. The eternal alarmists, whose cry of "Socialized Medicine" sounds out at the very hint of public interest in public health through Government action, have not come forth with any solutions or constructive suggestions.

Recognition of the need for health insurance is as old as the Social Security Act itself. Here is an excerpt from the report submitted to the Ways and Means Committee in January 1935, by the Committee on Economic Security created under order of President Franklin D. Roosevelt for the purpose of drafting recommendations toward enactment of the Social Security Act:

"As a first measure for meeting the very serious problem of sickness in families with low income we recommend a nationwide preventive public health program * * *.

"The second major step we believe to be the application of the principles of insurance to this problem. We have enlisted the cooperation of advisory groups representing the medical and dental professions and hospital management in the development of a plan for health insurance which will be beneficial alike to the public and the professions concerned. We have asked these groups to complete their work by March 1, 1935, and expect to make a further report on this subject at that time or shortly thereafter * * *."

Gentlemen, that was 23 years ago. Sufficient time has elapsed, to complete the most comprehensive study ever attempted of a known problem. But, in these 23 years, what progress has been made? The medical profession has persisted in an almost violently negative approach, while Congress has been intimidated by their incessant paranoia. Hence, not even a start has been made toward alleviation of the suffering which is compounded with each passing day.

H. R. 9567, by Congressman Forand, would offer limited health insurance

protection to many who need it the most; old-age and survivors insurance beneficiaries. You gentlemen must recognize the desperate need of such protection. Twenty-three years' experience with the Social Security Act absolutely dictates acceptance of this nominal beginning toward a healthy America.

NEEDED PUBLIC ASSISTANCE AMENDMENTS

You are of course, well aware that the 1956 Social Security Amendments lowered the age for women under the old-age and survivors insurance program to 62. Unfortunately, the same age qualification was not applied to women under the old-age assistance program. This age differential has caused great hardships in thousands of cases where women are forced to accept their meager social security checks at 62 and are not old enough to apply for necessary supplemental aid under the old-age assistance program. This picemeal approach causes much confusion, at the very least, and misery in the extreme.

It therefore seems only logical that the age requirement under both programs should be compatible.

The 1956 Social Security Amendments, as they emerged from the Senate, also included two other important provisions which were stricken from the bill in conference. The most vital one would have permitted recipients of old-age assistance to earn up to $50 per month without deduction in aid. The Senate voted 56 to 32 for adoption of this amendment sponsored by Senator Paul Douglas. The other amendment, adopted unanimously by the Senate and stricken from the bill in conference, without explanation, provided that: "There shall be no discrimination on account of sex in the issuance of old-age assistance." Many people are shocked, and rightfully so, to learn that in many States women are budgeted less for certain necessities of life than men. A case in point is the State of Illinois where women are given approximately $5 less per month for food than are men on the rather presumptuous and ridiculous theory that women eat less than men.

I certainly feel that this committee is morally bound to give these two provisions thorough consideration since the Senate has already overwhelmingly approved both.

The fourth point I would press upon the committee for immediate consideration is the unqualified provision in Federal law that all outside income, earnings, and resources must be taken into consideration when granting aid under the public assistance program. This has been construed by the Federal department and States to mean that an old person, who has been conscientious and thrifty, during his life by providing himself with a home is penalized for having done so. A deduction is made from his old-age assistance grant because he occupies his own home. This is the rankest kind of injustice. It can, and should be corrected now by this committee.

As the fifth immediate objective, particularly in view of the current economic depression and its inherent evils of misery and want, I recommend that Congress take a thorough look at that part of the public assistance program which allows States to impose a 5-year residence requirement on applicants and recipients.

While this might conceivably have been necessary 23 years ago, it is completely out of step with the mobile society of 1958. This clinging to the static, rigid qualifications born out of Queen Elizabeth's poor laws creates startling results. Thousands of destitute American families in every part of the country are disowned by county, State, and Federal Governments under the harsh residence requirements.

We suggest that such a requirement be completely forbidden, or at the very least, reduced to a maximum of 1 year.

HUMANITARIAN AND OLD-AGE RIGHTS ACT

Since enactment of the public assistance section of the Social Security Act, Congress has been concerned with the low benefits given our needy aged, blind, physically handicapped, and dependent children and has, on several occasions, passed legislation to increase Federal contributions to the States for this program.

However, while considering the financial needs of recipients under the program and making some small progress toward solution of this grave problem, Congress has given no assurances that our needy citizens will be treated humanely under administration of the Public Assistance Act. Herein lies the major cause of agitation among our elderly and needy citizens across the country.

If Congress is to be truly concerned with the plight of our public assistance recipients, then it must not only endeavor to provide financial assistance, but it must seek to safeguard them from undue harassment and intimidation in the receipt of such aid and restore to them their right of human dignity.

Recognizing this need, a distinguished member of the Ways and Means Committee, Cecil King, has for several years sponsored bills designed to not only provide more adequate financial assistance, but, also, to establish a Federal standard of qualifications for the applicants and recipients. Congressman King's bill is H. R. 5120.

On April 4 of last year, Congressman James Roosevelt and Senator Hubert Humphrey introduced companion bills, H. R. 6611 and S. 1703, titled, "Humanitarian and Old-Age Rights Act." Some 50 Congressmen joined Mr. Roosevelt in House sponsorship of this measure, and 8 colleagues coauthored Senator Humphrey's bill. Outstanding features of the bill include:

1. That the age requirement for old-age-assistance recipients shall be the same as that established for old-age beneficiaries under title II of the Social Security Act.
2. The aged and handicapped on public assistance would be allowed to earn up to $50 per month, and the needy children up to $30 per month, to supplement their assistance checks. (The blind are already permitted to earn $50 without penalty of reduction in aid.)
3. Recipients may own a home free from the imposition of a lien.
4. Household furnishings and reasonable insurance policy or burial arrangement is exempt. A floor is established under the amount of personal property which is a recipient is allowed to have.
5. Elimination of the practice of enforcing collections from the relatives of recipients.
6. The program is to be administered by each State so as to insure uniform treatment of the needy in all its political subdivisions.
7. Prohibits publishing the names of recipients.
8. Reduces the State-imposed residence requirement, now allowed by the Federal Government, from 5 years to 1 year.
9. No person receiving such public aid shall be deemed a pauper, and no warrant drawn in payment shall contain any reference to indigency or pauperism.
10. There shall be no discrimination because of sex.
11. The value of any United States surplus food made available will not be deducted from the recipient's aid.

GENERAL ASSISTANCE

It is my belief that Congress has delayed far too long in taking into consideration the vast number of people who are destitute and yet cannot meet qualifications established for receipt of public-assistance funds under any 1 of the present 4 categories, which include aid to the aged, aid to the blind, aid to the physically handicapped, and aid to dependent children.

Naturally, the present economic depression has been felt most deeply by this group of people, simply because there is no State or Federal program to act as a cushion for their economic downfall. Reports from across the country indicate that county welfare offices are jammed, relief rolls are swollen by people who can qualify for some measure of county relief. At the same time, hundreds of thousands of desperate people have been turned away without any aid, because either county funds were exhausted or county rules and regulations prohibit such individuals from receiving assistance.

As an immediate solution to this grave problem, we heartily endorse Congressman Thomas P. O'Neill, Jr.'s, bill, H. R. 11678, which would establish a new category: Title XVI—Grants to States for General Assistance.

I, and many others have long maintained that such a new chapter should be added to the public-assistance sections of the Social Security Act. The need for this was evident during fairly high employment. Now that our Nation faces its greatest economic crisis in nearly two decades, such action would appear almost mandatory.

LONG-RANGE OBJECTIVES

The National Institute of Social Welfare has confined the first part of its statement to changes in the social-security law which could readily be approved in this session of Congress. However, we respectfully submit further suggestions, trusting committee members will be able to devote the time and energy necessary for their through evaluation in the near future.

OASI BENEFITS

Since inception of the Social Security Act, old-age benefits under the annuity plan were meant to bear some relation to prevailing wage standards, thus enabling retired workers to maintain a fairly decent standard of living. Going back to Ways and Means Committee hearings on the Economic Security Act in 1935, we find that the Committee on Economic Security made this observation: "Contributory annuities are, unquestionably, preferable to noncontributory pensions. They come to the workers as a right, whereas the noncontributory pensions must be conditioned upon a 'means' test. Annuities, moreover, can be ample for a comfortable existence, bearing some relation to customary wage standards, while gratuitous pensions can provide only a decent subsistence."

Unfortunately, today, old-age benefits under title 1, fall woefully short of providing even a decent subsistence, much less a comfortable existence.

Compare the average OASI benefit of $65 per month with the current minimum wage standard of $1 per hour. Or, roughly $173.33 per month on a 40-hour week basis. The average old-age payment is just a little over one-third the amount which has been determined by Congress to be the absolute minimum on which an employed person can live. Even the maximum payment of $108.50 per month is barely two-thirds of the minimum-wage standard. The minimum old-age payment of $30 per month amounts to only a bit over one-sixth of the minimum-wage standard.

Viewed in this light, one can readily see Congress' appalling failure in 23 years to even come near providing a decent subsistence for America's retired workers. It is also apparent that 23 years of failure demands a new look, a fresh dynamic approach toward solution of our country's most pressing domestic problem.

Ample precedent and, certainly, sound reasoning exist for suggesting that OASI benefits bear realistic relation to the minimum-wage standard. Maximum payment should be on a par with the standard. Minimum payment should be, at the very least, 60 percent of basic minimum wages. This would bring the minimum old-age benefit to a little over $100 a month. Certainly, not an unreasonable or impossible goal.

FINANCING

Financing must, of course, be of initial concern in consideration of any changes in the Social Security Act. However, as long as Congress persists in running the social-security program on actuarial policies, dictated by regular insurance-company standards, its benefits will always be inadequate, and the people who most need help will continue to receive the least.

Indicating the folly of this approach is the fact that at least 34 countries have found it necessary and advisable to provide some government financial participation in old-age-insurance programs. These include Argentina, Australia, Austria, Belgium, Brazil, Chile, Costa Rica, Cuba, Denmark, Dominican Republic, Ecuador, Finland, France, Germany, Greece, Iceland, Iraq, Israel, Italy, Japan, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Panama, Paraguay, Peru, Philippine Republic, Poland, Sweden, Switzerland, and Thailand.

In addition to these, several others have very liberal pensions financed entirely out of public funds. Among these are Great Britain and Canada, which pay such pensions in addition to insurance benefits provided through regular employer-employee contributions.

Since the majority of these countries are recipients of our foreign aid, the American taxpayer is, indirectly, subsidizing the elderly people of half the world. But the mere mention in this country of subsidizing our own old-age-insurance program sets up a chain reaction of horrified howls. The most bombastic of these come from interests who are, themselves, recipients of huge Government subsidies.

It is most distressing that Government subsidies are evidently considered wrong only when it has humanitarian (as well as economic) merit, such as in the old-age field. No one seems too concerned when Congress votes $700 million more in subsidies to the railroads, direct or indirect subsidies to the airlines, shipping companies, and builders, farmers, mine operators, utility companies, oil barons, just to name a few.

PUBLIC ASSISTANCE

Congress has never really taken a good, thorough, look at the plight of our needy citizens under the public-assistance section of our Social Security Act. When it does, its findings will reveal that complete renovation is long overdue.

More than any other group, our needy people are tragic victims of the inflation spiral. The average old-age-assistance payment of $60 a month can't be said to come anywhere near providing for even the basic needs of our elderly people. And yet Congress itself imposes a $60 ceiling on the matching of Federal funds with States.

A more equitable distribution of Federal funds can, and must, be found. As a starter toward this, we direct the committee's attention to H. R. 5120, authored by the Honorable Cecil R. King.

Under present law, the Federal Government puts up $24, with the State's share being $6 of the first $30 for aid to those qualified under the public-assistance sections of the Social Security Act for old-age assistance, aid to the blind, and aid to the physically handicapped and totally disabled. On any payments made by the States to recipients over $30, but under $60, the Federal Government does not share in any contribution above $60, thus imposing a ceiling.

This ceiling acts as a deterrent to States in paying an amount of assistance consistent with a decent standard of living. More than half the States have found it necessary to go above the $60 ceiling in providing for assistance cases. The remainder, mostly low per capita income States, are unable to match even up to $60 per month.

For this reason, H. R. 5120 proposes a system of Federal contributions whereby payments to States would be based on the per capita income of the States. It also removes the ceiling on the Federal-State matching formula. Under this system, those States, whose per capita income is the same as or greater than that of the continental United States, would continue to match assistance payments on a 50–50 basis with the Federal Government on any amount above $30 per month. (The present basic formula whereby the Federal Government puts up $24 to the State's $6 of the first $30, would be retained.)

To help the needy in those States, whose per capita income is lower than that of the continental United States, Federal contributions (on payments above $30) would be figured on a percentage basis with Federal contributions ranging from 50 to 75 percent, depending upon the per capita income of such State.

PERMANENT STATUS

It must be a further accepted fact that the public assistance program is here to stay—at least for several decades. Its slipshod treatment can be partially blamed on the mistaken theory held by some, that it is only a temporary thing. Just how this mistaken theory came into being is difficult to assess, particularly in view of the fact that the first Committee on Economic Security report in 1935, stated the case plainly as follows:

"Contributory annuities can be expected in time to carry the major, but under the plan we suggest, never the entire load, until literally all people are brought under the contributory systems, noncontributory pensions will have a definite place even in long-time old-age security planning."

The recently acquired congressional habit of placing even the most meager increases in Federal funds on a short temporary basis is a bad one, and should be replaced with the solid approach of building a sound humane program.

SOCIAL SECURITY COMMITTEE

In my oral statement, and in this supplementary material, I have tried to outline many of the grievances the elderly and needy bear and offer partial solution to correcting them. However, I believe that only thorough and continuing study by the Congress of the United States can finally produce a really fair and adequate program.

Congressional attention to the Social Security Act throughout its history has been spasmodic and sometimes even erratic. This has resulted in gross injustices to 15 million people who today are directly and vitally affected by it—not to mention the millions of people indirectly interested in its improvement.

Due to the great load of extremely important work for which the House Ways and Means Committee and Senate Finance Committee must be responsible, it is unfortunate that the social security program has to be included as just one of their many vital functions. Certainly, a program so directly affecting the day-to-day welfare of every man, woman, and child in this country, deserves more than a possible 2 weeks' consideration every 2 years.

The only immediate answer to this dilemma would appear to be the appointment of subcommittees on social security which could operate with a specially trained staff and utilize the congressional session plus adjournment time to coordinate the facts and make recommendations to the full committees.

This would release the full committees from the necessity of sitting en masse to consider even the most minor changes.

I would strongly urge that such a subcommittee start first with the public assistance sections of the Social Security Act, without a doubt, the most complex program of all. The subcommittee should be invested with all necessary congressional powers to assure obtaining necessary facts involving public assistance and its administration on the Federal, State, and local level.

Public hearings should be held in representative States to hear the views of administrators, social welfare groups, and most important of all, the recipients themselves.

AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES,
Washington, D. C., August 6, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
The United States Senate, Washington, D. C.

DEAR SENATOR BYRD: I understand that the Senate Finance Committee will hold hearings on H. R. 13549 Friday, August 8, and Monday, August 11, 1958. This bill will increase benefits under the Federal old-age, survivors, and disability insurance system, improve the actuarial status of the trust funds of such system, and make other improvements in the Social Security Act. The 200,000 members of the American Federation of State, County, and Municipal Employees, AFL-CIO, are vitally interested in the improvements which are proposed in H. R. 13549.

We feel that this bill which will provide a 7 percent increase in the benefits of those presently drawing social-security payments is vitally needed in view of the cost-of-living increases which have occurred since 1954. Corresponding increases in the benefits of future retirees, payments to the beneficiaries of disabled workers, and the increases in taxable income ceiling to $4,800 are desirable features of the bill. At the same time, we heartily endorse the provisions of the bill which will improve the actuarial status of the trust funds of the system. The broadening of coverage provision for employees of State, county, and municipal governments is particularly attractive to our members. We favor the acceleration in the increase of the tax to be paid by employees and employers. In fact, we find none of the provisions of the bill are objectionable.

I know that spokesmen from our union would merely repeat the views which will be stated by Nelson Cruikshank, director of the social security department, and Andrew J. Biemiller, director of the legislative department of the AFL-CIO, when they appear before your committee on August 8, 1958. Therefore, we ask that this letter be made a part of the record on this important matter and that your committee take favorable action on the bill.

Sincerely yours,

GORDON E. BREWER,
Civil Service Counsel.

THE WYATT CO.,
Washington, D. C., August 6, 1958.

Re Social Security Amendments of 1958—H. R. 13549, section 701, page 105; and report of Committee on Ways and Means on H. R. 13549—reference to same section on page 78 of report

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: I believe a loophole exists in the aforementioned section 701, which amends section 1106 (b) of the present act to allow the Department of Health, Education, and Welfare to perform services to outside parties subject to charging an appropriate fee for such services. The trouble is that the word "services" is wholly unqualified or limited in the language of the bill. This means that the Department could take on any sort of job, for example, to compete with private consultants in working in the area of private benefit programs. This possibility is very disturbing to actuaries such as myself and to other consultants to whom I have pointed out this discrepancy in the bill. It is my understanding that, while your committee will hold hearings on the coming Friday and Monday, you are likely to be so tight for time that an individual, such as myself, could not be heard. Indeed, this noncontroversial detail—albeit important to our profession—would perhaps not need to be pointed out by oral testimony before

your committee. I am hopeful that this letter will result in some corrective action.

It would be my recommendation that such action take the form of adding language along the following lines after the word "services" in the third line of "(b)" on page 105 of the bill, so that it would read as follows with my proposed language italicized:

". . . and requests for services *in respect of operational, informational, and statistical matters within the purview of this act*, may, . . ."

While I sincerely hope that a qualifying amendment of this nature—certainly noncontroversial—could be inserted at the proper time, should this fail, I would earnestly hope that, in your committee report, you would set up guideposts to restrict the Department from rendering services to outside parties which are not germane to the social security operations and information thereunder. I believe you, yourself, are fully in accord with the need to keep Government out of competing with, or superseding, private business areas.

I am taking the liberty of sending a copy of this letter to the other members of your committee.

Sincerely yours,

DORRANCE C. BRONSON,
Fellow, Society of Actuaries.

MILWAUKEE, WIS., *August 7, 1958.*

Hon. HARRY FLOOD BYRD,
Senate Office Building, Washington, D. C.:

Because the amendment to the social security law introduced by Senator Kennedy removes the inequitable and unfair ceiling on the social security lump sum death payment the National Funeral Directors Association of more than 18,000 members supports the amendment in the public interest.

ROY T. MERRILL,
President, National Funeral Directors Association.

HARTFORD, CONN., *August 8, 1958.*

Senator HARRY F. BYRD,
Chairman, Committee on Finance,
Washington, D. C.:

House-passed bill, H. R. 13549 increasing maternal and child health and services to crippled children (also child welfare) amounts each by $5 million. Bill now in Senate Committee on Finance. We urge your support raising the ceilings to $25 million each as in the Senator Neuberger bill S. 3504 and S. 3025.

STANLEY H. OSBORN, M. D.,
Commissioner, Connecticut State Department of Health.

AMERICAN MEDICAL ASSOCIATION,
Chicago, Ill., August 11, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: On Friday, August 8, 1958, the American Optometric Association urged an amendment to the Social Security Act as follows:

"The Congress hereby declares that it is in the public interest that the services of optometrists should be available to beneficiaries of health programs financed in whole or in part by funds appropriated from the Treasury of the United States. Nothing in this act or in any other act authorizing health programs shall be construed to exclude the utilization of the services of optometrists within the scope of their practice as prescribed by the laws of the jurisdiction in which the service is rendered."

The representatives of the Optometric Association also incorporated by reference an amendment offered before the House Ways and Means Committee and further stated: "Both amendments we believe to be in the public interest and are willing to abide by the decision of this committee as to which one is preferable."

The American Medical Association does not believe that either of these proposals are in the public interest or that they are the only alternatives open to the committee. We do not believe that proposals which would, by one stroke of the pen, amend all Federal statutes dealing with medical care should be con-

sidered lightly or be the subject of only 2 days of hearings. We believe that the Federal agencies involved and the public at large should be given an opportunity to study the consequences and to express an opinion.

The American Medical Association therefore recommends that the Senate Finance Committee follow the example of the House Ways and Means Committee by rejecting these proposals. We also urge that the Senate Finance Committee go one step further and amend title X, section 1002 (a) (10) by deleting from such subsection the words "or by an optometrist, whichever."

The granting to optometrists the right to make examinations to determine blindness may result in a failure to ascertain the cause of blindness and thus prevent the administration of necessary medical rehabilitative care. Unfortunately, in too many cases proper treatment has been delayed or possible rehabilitation or cure denied because of diagnoses rendered by others not qualified as medical practitioners. On the other hand, the medical skills possessed by physicians has resulted in the detection and successful treatment of the organic and systemic causes of blindness.

It is my hope that this statement can be made a part of the record of your hearings.

Sincerely yours,

F. J. L. BLASINGAME, M. D.,
Executive Vice President.

NATIONAL FUNERAL DIRECTORS ASSOCIATION OF THE UNITED STATES, INC.,
Milwaukee, Wis., August 2, 1958.

Hon. HARRY FLOOD BYRD,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR BYRD: It is in the public interest that I am writing you about the bill amending the social security law which was passed earlier this week by the House of Representatives. While most benefits are increased in this measure the lump sum death payment ceiling was left at $255.

Our association members each year conduct the funerals of more than 1 million Americans. They know what matters have to be taken care of and problems which develop when death occurs. That is why our president, Roy T. Merrill, wrote you as he did on December 16, 1957 and why I appeared on behalf of the association before the Committee on Ways and Means of the House of Representatives on June 23, 1958. (Statement appears on pp. 507–509, House hearings.)

If the social security amendments bill passed by the House becomes law, when it does the maximum primary benefit will be $116. In a few years this payment for many persons will reach $127. If there was no ceiling the maximum lump-sum payment, after the amendment becomes effective, would be $348 and in a few years would reach $381. When there are people eligible for a $127 primary award under the present ceiling they will get a $255 lump sum payment which is about twice the primary award. To others the $255 lump sum will represent three times the award. This is unfair and inequitable especially in those cases where after years of taxes being paid by the employer and employee and the self-employed the lump sum payment is the only social security benefit realized.

We were told the cost of removing the ceiling under the bill passed by the House is 0.03 of 1 percent of payroll.

At the time of death there are many expenses resulting from last illness and the funeral. The lump-sum payment is to help with these whether for a widow with young children or a bachelor with no survivors.

We know you agree that the method of determining what the lump-sum payment will be should be the same in all cases. We hope the unfair and inequitable ceiling will be eliminated.

Yours sincerely,

HOWARD C. RAETHER,
Executive Secretary.

STATEMENT OF COL. JOHN T. CARLTON, EXECUTIVE DIRECTOR OF THE RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES, BEFORE THE SENATE FINANCE COMMITTEE

Mr. Chairman and members of the committee, the Reserve Officers Association is organized for one purpose, as outlined in our national constitution and bylaws, and that is "The object of the association shall be to support a military policy for the United States that will provide adequate national security and to promote the development and execution thereof."

In carrying out this objective of our association, we naturally are deeply concerned with all matters which deal with the morale of our Reserves as well as our active-duty forces.

In H. R. 13549, we desire to comment on only one section, which does affect personnel of the Reserves as well as our active-duty forces.

We should like to recommend our entire approval of section 206 of this bill, which replaces section 224 of the present law. We hope that your committee sees fit to approve this section.

Inasmuch as individuals who are covered by social security make payments under the provisions of the law, it seems to us that if they should qualify for disability retirement under the provisions of social security they should be entitled to receive this payment, and in addition thereto, if they qualify for disability retirement under military laws that individuals in this category should be permitted to receive both payments. The number involved is very small, but it is only just and right that they be given this privilege.

I want to thank the committee for the privilege of appearing before you.

UNITED STATES SENATE,
COMMITTEE ON ARMED SERVICES,
August 8, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: As you know, Senator Payne, for himself and me, introduced an amendment to H. R. 13549 in the Senate on August 8 which would facilitate the extension of social security coverage to employees of certain municipalities in the State of Maine. This amendment is essentially the same as S. 3424, which was introduced earlier this year by Senator Payne and myself but does contain one basic difference from that bill. S. 3424 would have been a permanent change in the Social Security Act, whereas the amendment which I have introduced would be in effect only until July 1, 1960, after which it would expire.

In Senator Payne's absence and at his request, I am submitting this letter which was drafted by Senator Payne.

The 98th Maine Legislature enacted a law (ch. 338, Public Laws of 1957) providing that employees of the political subdivisions of the State are eligible for the benefits of social security. This act specifically excluded teachers, policemen, and firemen from its coverage if they were under an existing pension or retirement plan. In Maine, teachers are covered by the Maine State retirement system as a class and do not depend upon the municipalities membership to make them eligible. Consequently, those political subdivisions of the State of Maine which joined the Maine retirement system without first securing social security coverage are precluded from such coverage by the requirements of the Social Security Act. The purpose of my amendment is to provide a period during which the State of Maine could treat teachers in the same manner that the Social Security Act treats police and firemen; that is, as a separate class. During this period the political subdivisions which belong to the Maine retirement system could bring their employees under the coverage of the Social Security Act.

The legislation was developed in close cooperation with the Maine Municipal Association and the executive secretary of the Maine State retirement system. It would eliminate a great inequity in Maine, where the employees of some local governments are now eligible for social security while the employees of adjacent communities are not. In order to provide the committee with additional information on this problem, I am enclosing a copy of a letter with enclosures from Mr. Frank Chapman, executive secretary of the Maine Municipal Association.

It is noted that the Department of Health, Education, and Welfare has submitted an adverse report to the committee on S. 3424, and the Department's objections are based primarily on its position in opposition to special provisions for particular States. Inasmuch as the Social Security Act now contains special provisions for a number of States, this objection would not seem to be particularly valid. However, in recognition of the Department's views, my amendment has been modified to place it strictly on a temporary basis, which follows the precedent established by the provision adopted for Oklahoma as part of the Social Security Amendments of 1956. In this regard it its noted that the House Committee on Ways and Means has recently reported to the House a bill to revive the special Oklahoma provision.

As you will note, my amendment provides that it would be effective until July 1, 1960. This would provide, roughly, a period of 2 years during which the affected municipalities in Maine could take advantage of the provision. The selection of the 2-year period is necessary in order to insure that, if enacted, communities will have an opportunity to take advantage of the provisions of this amendment.

It is my hope that in considering H. R. 13549, which is presently before your committee, the committee will adopt the amendment which I have introduced.

Sincerely yours,

MARGARET CHASE SMITH,
United States Senator.

H. R. 13540: A bill to increase benefits under the Federal old-age, survivors, and disability insurance system, to improve the actuarial status of the trust funds of such system, and otherwise improve such system; to amend the public assistance and maternal and child health and welfare provisions of the Social Security Act; and for other purposes.

viz: On page 70, between lines 3 and 4, insert the following new section:

"TEACHERS IN THE STATE OF MAINE

"SEC. 318. For the purposes of any modification which might be made after the date of enactment of this Act and prior to July 1, 1960, by the State of Maine of its existing agreement made under section 218 of the Social Security Act, any retirement system of such State which covers positions of teachers and positions of other employees shall, if such State so desires, be deemed (notwithstanding the provisions of subsection (d) of such section) to consist of a separate retirement system with respect to the positions of such teachers and a separate retirement system with respect to the positions of such other employees; and for the purposes of this sentence, the term teacher shall mean any teacher, principal, supervisor, school nurse, school dietitian, school secretary, or superintendent employed by in any public school, including teachers in unorganized territory."

MAINE MUNICIPAL ASSOCIATION,
Augusta, Maine, June 3, 1958.

Hon. FREDERICK G. PAYNE,
United States Senate, Washington, D. C.

DEAR FRED: When I was in your office May 22, I discussed with the members of your staff the status of the measure that you introduced for us concerning social-security coverage for municipal employees, S. 3424. John Fessenden suggested that I write a letter restating the necessity of securing the legislation this session and append a list of municipalities and quasi-municipal corporations that would be affected, with the approximate number of employees in each unit. Attached you will find such a list and will note that 22 municipalities and 23 quasi-municipal corporations with a total of 3,363 employees are involved. Briefly, the problem is that these political subdivisions joined the Maine State retirement system without first having secured the benefits of social security. Under Maine law as it existed prior to 1957, these municipalities were not permitted social-security coverage. Maine law was changed by the Public Laws of 1957, chapter 388, so that the State now authorizes coverage if the Federal law permits. The problem at the moment is that Federal law does not permit these municipal subdivisions to take advantage of the social-security program because the employees became part of a specific class upon joining the retirement system. Thus, legislation is necessary to permit the creation of another class within this group. This may be accomplished by an amendment permitting the State of Maine to designate teachers as a class separate from other municipal employees. This designation is needed because of the fact that teachers under Maine law are considered as State employees for the purposes of the State retirement system whether or not the municipal subdivision has joined the retirement system.

In effect, S. 3424 would permit the State of Maine to treat teachers in the same manner that the Social Security Act treats police and firemen; that is, as a a separate class outside of coverage.

Very possibly, this letter, the appended list of municipal units, and a copy of my letter of February 27, 1958, including the attached letter to John R. Campbell,

of the Boston office of Social Security, under the date of February 24, would serve to give sufficient background material so that the State's problem could be clearly stated. For your convenience, I am enclosing duplicates of the two letters above mentioned.

May I think you again for the assistance that you have given us with this problem, and hope that we may be able to see the successful passage of this needed legislation in the not too distant future.

Sincerely yours,

FRANK G. CHAPMAN.

Local participating districts under Maine State retirement system

Name of unit	*Approximate number of employees*
Presque Isle	45
Portland	700
Portland Public Library	25
Millinocket	40
County of Cumberland	60
Camden	25
South Portland	150
Houlton	40
County of Penobscot	45
Ellsworth	45
Kittery Water District	20
Kittery	30
Bar Harbor	45
Mount Desert	20
Fort Fairfield	40
Rockland	85
Bath Water District	25
Bangor	400
Boothbay Harbor Water District	10
Bangor Public Library	30
Gardiner	40
Augusta	150
Houlton Water Co	45
Auburn	145
York	10
Kennebec Water District	25
Livermore Falls Water District	8
Knox County	25
Augusta Water District	30
Belfast	35
Calais	50
York County	30
York Water District	10
Washington County	30
Brunswick	50
Auburn Public Library	10
Maine-New Hampshire Bridge authority	10
Jay	15
Waldo County	30
Kennebec County	25
Lewiston	400
Maine Turpike Authority	225
Auburn Water District	20
Auburn Sewerage District	15
East Millinocket [1]	30
Maine Municipal Association [1]	5
Hancock County [1]	30
Bangor Water District	50
Oxford County [1]	40
Rumford [1]	35

[1] These units are presently covered by both systems as each secured the benefits of the social-security program before applying for membership in the Maine State retirement system.

FEBRUARY 24, 1958.

JOHN R. CAMPBELL, JR.,
Regional Representative, Bureau of Old-Age and Survivors Insurance, Department of Health, Education, and Welfare, Boston, Mass.

DEAR MR. CAMPBELL: This letter will serve to confirm our discussions held in Earle R. Hayes' office on February 14 relative to the proposed amendment to the Federal Social Security Act covering certain classes of municipal employees.

The history of this proposal is roughly as follows: The Maine Municipal Association secured an amendment to the Revised Statutes of 1954, chapter 65, section 1, which declared it to be the policy of the Maine Legislature that employees of political subdivisions, whether or not members of an existing retirement or pension system, would be eligible for the benefits of social security. This amendment went on to state that teachers, policemen, and firemen were specifically excluded from this policy if they are under an existing pension or retirement plan. This law is Public Law 1957, chapter 388.

This legislation was brought about primarily because of the mobility of municipal employees in those communities that were unable to be covered by social security because they had joined the State retirement system first. There are only some 25 or 30 Maine communities who will be affected, as any community that accepted social security first may join the State retirement plan without giving up the social-security program.

The discussion covered the proposed amendment submitted by Senator Payne, a copy of which is attached, which, unless read against the background of chapter 338, does not accurately point out what we wish to accomplish in amending the Social Security Act.

It was further brought out that Senator Payne's proposal should be amended by including a definition of teachers that would effectuate the exclusion. It seemed to be mutually agreed that "teacher," as defined in the Maine State retirement law, enacted as Public Law 1955, chapter 417, and as amended in 1957, would be sufficient to meet this need. Section 1 of the retirement law defines "teacher" as follows: "Teacher" shall mean any teacher, principal, supervisor, school nurse, school dietitian, school secretary, or superintendent employed in any public school, including teachers in unorganized territory. This definition would not exclude school janitors, bus drivers, etc., who would then be in the covered classifications.

The major problem in the State of Maine is that teachers are covered by the Maine State retirement system as a class and do not depend on the municipality's membership to make them eligible. Thus, for the purposes of the State retirement system, a teacher is classified in essence as a State employee.

Our proposed legislation is designed to permit the State of Maine to treat teachers in the same manner that the Social Security Act treats police and firemen, that is, as a separate class outside of coverage.

I believe that this covers, in general, our discussion, and sets forth the problem facing us in Maine. For your convenience I am including Senator Payne's proposal with our proposed amendment added.

May we hear from you at your earliest convenience, as we hope to be able to forward a copy of this to Senator Payne to enable him to introduce the necessary legislation.

Sincerely yours,

FRANK G. CHAPMAN,
Executive Secretary.

MAINE MUNICIPAL ASSOCIATION,
STATE HEADQUARTERS,
Hallowell, Maine, February 27, 1958.

HON. FREDERICK G. PAYNE,
United States Senate, Washington, D. C.

DEAR SENATOR: I was extremely pleased to receive your letter of February 24, concerning the proposed amendment to the Social Security Act. We had just recently held a meeting with the Boston regional representatives concerning the very same matter, which was successful in that it brought to them for the first time the reasons why we consider such an amendment necessary for the State of Maine.

Their point of view was essentially the same as Mr. Christgau, that is, that we were attempting to create special treatment for a specified class of employees in this State.

When it was pointed out that the amendment was necessary to correct an existing inequity, namely, that some municipalities in Maine had joined the State retirement system before seeking social security, and were thus precluded from the social-security program, while others who joined the social-security program first could later joint the State retirement system and thus realize the benefits of both programs, it was mutually agreed that our proposal had merit.

One point was brought out as a measure of clarification, and that was the definition of the word "teacher." It was suggested that your proposal be amended to include the present Maine definition.

I am enclosing a copy of a letter to Mr. John R. Campbell, which confirms and summarizes our meeting discussing the above points. It is our hope that this legislation will be successful and that these Maine communities will no longer be prevented from being eligible for the benefits of the social-security program.

I received your letter concerning the amendment to the urban renewal program, and will bring it to the attention of our executive committee, who meets today.

Thank you again for your assistance in this matter.

Sincerely yours,

FRANK G. CHAPMAN, *Executive Secretary.*

[S. 3424, 85th Cong., 2d sess.]

A BILL To amend title II of the Social Security Act to facilitate the extension of social security coverage to certain State employees in the State of Maine

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 218 (d) (6) of the Social Security Act is amended by adding at the end thereof the following new sentence: "For the purposes of this subsection, any retirement system of the State of Maine which covers positions of teachers and positions of other employees shall, if such State so desires, be deemed to consist of a separate retirement system with respect to positions of such teachers and a separate retirement system with respect to the positions of such other employees; and, for the purposes of this sentence, the term 'teacher' shall mean any teacher, principal, supervisor, school nurse, school dietitian, school secretary or superintendent employed in any public school, including teachers in unorganized territory."

STATEMENT BY SENATOR PAYNE ON BILL TO PERMIT EXTENSION OF SOCIAL-SECURITY COVERAGE TO MUNICIPAL EMPLOYEES IN MAINE

This bill would amend the Social Security Act to permit the extension of coverage to employees of political subdivisions of the State of Maine. The amendment is necessary so that the State will be able to conform to the requirements of the applicable State statute which is at present in conflict wih the Social Security Act on one minor point.

Last year the 98th Maine Legislature adopted an act declaring it to be the policy of the State of Maine that employees of political subdivisions of the State have the benefits of social security whether or not they were members of an existing retirement system. Some 25 or 30 Maine communities are members of the Maine State retirement system and will be affected by the bill.

The act of the Maine Legislature expressly provided that its provisions would not apply to teachers, policemen, and firemen who were under an existing pension or retirement plan. In Maine, teachers are covered by the Maine State retirement system as a class and do not depend upon the municipality's membership to make them eligible. In effect then, for the purpose of the State retirement system, a teacher is considered a State employee. But for social-security purposes a teacher is considered an employee of the municipality and where social-security coverage is to be extended to employees of a municipality which belongs to a retirement system, it must under the Social Security Act, include all municipal employees covered by the system.

Since the laws of Maine preclude social-security coverage for teachers, the employees of municipalities which belong to the State retirement system are presently denied social-security benefits because of the requirements of the Social Security Act. The bill which has been introduced would permit the State of Maine to treat teachers in the same manner that the Social Security Act treats policemen and firemen—as a separate class.

The Social Security Act presently contains special provisions for many States, including Florida, Georgia, Minnesota, Nevada, New Mexico, New York, North Caroline, North Dakota, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Washington, Wisconsin, and the Territory of Hawaii.

It is my hope that the Congress will be able to adopt this measure this year, so that the employees of cities and towns in Maine may participate in the social-security program.

AUGUST 13, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: I understand that the Senate Finance Committee will hold hearings on H. R. 13549, Friday, August 8, and Monday, August 11, 1958. This bill will increase benefits under the Federal old-age, survivors, and disability insurance system, improve the actuarial status of the trust funds of such system, and make other improvements in the Social Security Act. The 200,000 members of the American Federation of State, County, and Municipal Employees, AFL–CIO, are vitally interested in the improvements which are proposed in H. R. 13549.

We feel that this bill, which will provide a 7-percent increase in the benefits of those presently drawing social-security payments, is vitally needed in view of the cost-of-living increases which have occurred since 1954. Corresponding increases in the benefits of future retirees, payments to the beneficiaries of disabled workers, and the increases in taxable-income ceiling to $4,800 are desirable features of the bill. At the same time, we heartily endorse the provisions of the bill which will improve the actuarial status of the trust funds of the system. The broadening of coverage provision for employees of the State, county, and municipal governments is particularly attractive to our members. We favor the acceleration in the increase of the tax to be paid by employees and employers. In fact, we find none of the provisions of the bill are objectionable.

I know that spokesmen from our union would merely repeat the views which will be stated by Nelson Cruikshank, director of the social-security department, and Andrew J. Biemiller, director of the legislative department of the AFL–CIO, when they appear before your committtee on August 8, 1958. Therefore, we ask that this letter be made a part of the record on this important matter, and that your committee take favorable action on the bill.

Sincerely yours,

GORDON E. BREWER,
Civil Service Counsel.

CAROLINA COACH CO.,
Raleigh, N. C., August 11, 1958.

Hon. HARRY F. BYRD,
United States Senate, Washington, D. C.

MY DEAR SENATOR BYRD: There is a bill before the Senate which I would like to call to your attention, namely, H. R. 13549, which has been passed by the House of Representatives. It contains a provision which would strike from the Social Security Act the deduction of workmen's compensation from social-security disability benefits. This would mean that a totally and permanently disabled employee of 50 years or more would collect both workmen's compensation and full social-security benefits at the same time.

My reason for objecting to this phase of the bill is that it would destroy the incentive for injured employees to become rehabilitated and return to work, and would increase the cost of workmen's-compensation insurance and destroy the effectiveness of the insurance companies' rehabilitation programs. I think you realize that a great many insurance companies are carrying on a comprehensive rehabilitation program that helps individuals who have been injured.

In addition, I do not like to see the Federal Government taking over the State workmen's-compensation system. I think this should be left to the States.

While I have not gone into a great deal of detail in this letter, I think you can see that this kind of legislation would be detrimental to our industrial program that has been carried on successfully in years past. I hope you will oppose this part of the legislation contained in the bill.

With kindest regards, I am,

Sincerely yours,

R. C. HOFFMAN, JR., *President.*

LITTLE ROCK, ARK., *August 12, 1958.*

Senator HARRY F. BYRD,
United States Senate, Washington, D. C.:

Amendment of title 10, section 1002 (a) (10), deleting the words "or by an optometrist whichever," is before your committee. The law at present permits optometrist to examine applicants for aid to blind as well as a physician skilled in diseases of the eye. The optometrist is not trained in diagnosis and treatment of medical conditions of the eye. This has resulted in the following: Many repeated examinations with added expense, delay in obtaining the needed assistance, and delay in treatment that might prevent further loss of vision. The details of specific clients showing these results are in my files. The AMA, the NSPB, American Foundations for Eye Care, and the Council for the Arkansas Medical Society also feel this change is necessary. Senator John McClellan and Representative Brooks Hays and Representative Wilbur Mills can all personally certify my ability to testify on this subject.

K. W. COSGROVE, M. D.

UNITED STATES SENATE,
Washington, D. C., August 11, 1958.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: On February 7, 1957, we introduced S. 1067, to extend the unemployment-compensation program to Puerto Rico.

This bill has received strong endorsement of the Department of Labor, and we understand from Dr. A. Fernós-Isern, Resident Commissioner of Puerto Rico, cosponsor of this bill in the House of Representatives, that the House Ways and Means Committee would accept this measure as an amendment to a House-passed revenue bill if such amendment should be adopted by the Senate. In the light of the foregoing, it is, therefore, requested that S. 1067 be accepted as an amendment to H. R. 13549, now before you.

To further detail this bill, attached herewith is the recent statement by Dr. Fernós concerning it before the House Committee on Ways and Means.

Sincerely,

IRVING M. IVES.
JACOB K. JAVITS.

STATEMENT BY DR. A. FERNÓS-ISERN, RESIDENT COMMISSIONER OF PUERTO RICO, BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS WITH REFERENCE TO H. R. 634 TO EXTEND THE UNEMPLOYMENT COMPENSATION PROGRAM TO PUERTO RICO AND H. R. 636 TO AMEND THE SOCIAL SECURITY ACT PUBLIC ASSISTANCE PROVISIONS

Mr. Chairman, my name is Dr. A. Fernós-Isern. I am the Resident Commissioner of Puerto Rico.

I thank the committee for the opportunity to appear and express my views on H. R. 634 and H. R. 636, both of which contain provisions of critical importance to Puerto Rico.

I address myself first to H. R. 634 which would extend the unemployment compensation program to Puerto Rico, and for other purposes.

The United States Department of Labor in reporting on the bill strongly recommended the enactment of legislation to extend the unemployment compensation program to Puerto Rico along the lines provided in H. R. 634. The Department said that such legislation, which was recommended by the President in his economic report last January, is a part of the legislative program of the United States Department of Labor. It is to be noted that the enactment of H. R. 634 would complete the Federal-State system of unemployment security in Puerto Rico. The Wagner-Peyser Act was extended to the Commonwealth in 1950 for the purpose of that objective. H. R. 634 would also complete the protection of all the social-security programs to Puerto Rico. The maternal and child welfare prgram was extended in 1940, the programs for old-age assistance, aid to dependent children, aid to the blind, and aid to the permanently disabled were extended in 1950. In 1951, the Old Age and Survivors Insurance Act was extended to Puerto Rico.

It is to be noted that the Commonwealth government has enacted its own unemployment insurance law and that the machinery for implementing extension of the Federal program is currently available. Under the Commonwealth law, deductions are being made now for unemployment insurance. Unemployment payments under the local law will begin in January 1959. The extension of the Federal program is needed to supplement the local program. For instance, unless the unemployment compensation system of Puerto Rico is incorporated into the Federal system, Puerto Rico will continue to be ineligible to receive the benefits of the emergency extension of unemployment benefits recently made available to the States as an antirecession measure.

It is to be noted that until very recently Puerto Rico had traditionally been an agricultural community. Moreover, it had been a 1-crop economy with the main crop being sugar. Because of the seasonal character of employment in these agricultural pursuits, the small size of the island, and its dense population, a very serious chronic unemployment situation developed. In order to create employment, Puerto Rico embarked on what has been termed Operation Bootstrap, a program of self-help which has resulted in the establishment of new industries in Puerto Rico. These industries have resulted in the creation of many jobs and it is hoped that more industries may be opened in Puerto Rico to give greater employment security to more and more people and promote higher levels of living. You may be sure that the Commonwealth is making every effort within its means and abilities to provide greater employment security. It is felt, however, that the fullest measure of protection for the workers can be derived if the Commonwealth program of unemployment insurance is incorporated into the Federal system.

A very important consideration concerning the desirability of incorporating the Federal and Commonwealth plans is the great number of Puerto Rican workers who travel between Puerto Rico and the mainland during the period of their eligibility. In Puerto Rico they are now eligible for benefits under the Commonwealth law but not under the Federal. In the mainland they are eligible for the Federal benefits but their connection with the Commonwealth system is lost. By integrating the Puerto Rico system to the Federal such undesirable situations would be taken care of.

In summary, the desirability and feasibility of meeting serious social problems in Puerto Rico has long been recognized by Congress and is reflected in its inclusion in a number of remedial statutes, such as the Wagner-Peyser Act and the various titles of the Social Security Act. Unemployment is a problem in Puerto Rico, and the unemployed must have protection, preferably through an overall nationwide insurance program.

The unemployment insurance program of Puerto Rico was started after careful study and preparation on which officials of the Commonwealth had frequent conferences with the staff members of the Department of Labor in their efforts to develop a financially sound and acceptable plan. As with the States, this program could be made more effective by welding it to the Federal program of unemployment insurance.

H. R. 686: To amend the Social Security Act to eliminate the existing limitations on the amount which may be paid to the Commonwealth of Puerto Rico in any fiscal year under the public assistance programs contained in titles I, IV, X, and XIV of that act.

The second bill which I urge the committee to consider favorably is also of great importance to Puerto Rico. It concerns the neediest of our people. Puerto Rico has been struggling with the problem of direct payments to the needy, since under the public assistance amendments to the Social Security Act of 1951 the law was extended to Puerto Rico. At that time Puerto Rico was spending under its own law $3 million annually for public assistance exclusive of administration costs. In consideration of Puerto Rico's annual expenditures of $3 million for this purpose, Congress set a ceiling for the Federal share of $4,250,000. Apparently the reason for this was that at that time it appeared that Puerto Rico could not dedicate more than this amount annually for public assistance, as it was required to match Federal funds. It was provided that the Federal participation would be on the dollar-to-dollar matching basis and would be limited to $30 per month as the maximum assistance which could be provided for any one person. We are still very far from this $30 goal. However, through the years, the Puerto Rican government has been spending more and more to meet public assistance needs. In recognition of this, the Congress in 1956 increased the Federal share 25 percent over the ceiling theretofore allowed by law. That is, the ceiling was lifted to $5,312,000, instead of $4,250,000.

At the present time, Puerto Rico is devoting about $8 million annually for direct relief; the United States Government as before said, $5,312,000. The Puerto Rico share and the Federal share, combined, amount therefore to a little more than $13 million. But this permits an average of only $10 per month per recipient under the program. This, while living costs in Puerto Rico, according to official figures, are 17½ percent higher than in Washington, D. C.

I do not believe I could say anything else which would so graphically point out the need for removing the ceiling on Federal contributions under the act, although the $30 individual limit be maintained as well as the 50–50 sharing formula, the dollar-to-dollar matching formula which the law now provides for Puerto Rico. My bill would allow the Federal Government to participate in the program to the extent that the Commonwealth government is able to participate, by the same amount and within the $30 limitation. There would always be a practical ceiling; the resources of Puerto Rico would not allow for the Commonwealth increasing its share much above the $8 million the Commonwealth is now able to provide, budget requirements being so heavily committed for other public purposes. Increases at best would be gradual, and necessarily limited to the gradual development of Puerto Rico's resources. Under the formula, Puerto Rico would never receive as much as under the formula now being applied to the States.

Puerto Rico is operating within certain fixed limitations, which are a great handicap to social and economic progress. Its 2¼-million population is confined to 3,500 square miles of island space more than a thousand miles from the mainland. It has no natural resources. Because of its inclusion within the United States tariff system, Puerto Rico's trade is naturally confined mostly to the mainland. Trade between the mainland and Puerto Rico is subject to the United States coastwise shipping laws. Freight rates are very high. This is an important factor in the cost of living in Puerto Rico and its industries. As I mentioned earlier, sugar is the most important commodity Puerto Rico sells, but Puerto Rico sells to the mainland within a system of assigned quotas under the Sugar Act. Here it must be observed that within this program, Puerto Rico is permitted to refine only a small part of the sugar it sells. The requirement that Puerto Rico sell the bulk of its sugar in raw form means at least $20 million per year in income that the local economy does not receive.

In order to industrialize, it was necessary to attract capital which was not available locally. So as to attract capital, it was necessary for the Puerto Rican government to offer liberal tax inducements, and the Puerto Rican worker must also accept lower wages than on the mainland. This, despite the fact that, as aforesaid, the cost of living is 17.5 percent higher than in Washington.

As a result of what we call Operation Bootstrap, there is greater employment in Puerto Rico. Wages creep slowly upward, and income is increased, but, in order to bring industries into Puerto Rico, the Puerto Rican government has been forced to sacrifice needy revenues which would be derived from normal taxation and which would be used for social betterment and the creation of additional services, including aid to the needy.

It is the endeavor of Puerto Rico to be as self-sustaining as is possible, while meeting the necessary needs of its people. We, in Puerto Rico, hope that the overall economic realities will eventually permit Puerto Rico to take complete responsibility for its social needs. But, during this difficult interim period, in order to help remedy so much need and suffering amongst the less fortunate members of our citizenry, we need help. I hope that the committee will see fit to recommend the assistance which extension of the Federal program can give, and that the committee will support H. R. 636.

[S. 1067, 85th Cong., 1st sess.]

A BILL To extend the unemployment compensation program to Puerto Rico, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph (2) of section 901 (b) of the Social Security Act, as amended, is amended to read as follows:

"(2) the amount estimated by the Secretary of Labor as equal to the necessary expenses incurred during the fiscal year for the performance by the Department of Labor of its functions under (i) this title and titles III and XII of this Act, (ii) the Federal Unemployment Tax Act, (iii) the provisions of the Act of June 6, 1933, as amended, (iv) title IV (except section 602) of the Servicemen's Readjustment Act of 1944, as amended, and (v) title IV of the Veterans' Readjustment Act of 1952; and".

SEC. 2. Paragraph (1) of section 1101 (a) of the Social Security Act, as amended, is amended to read as follows:

"(1) the term 'State' includes Alaska, Hawaii, the District of Columbia, and the Commonwealth of Puerto Rico, and when used in titles I, IV, V, X, and XIV includes the Virgin Islands."

SEC. 3. Paragraph (2) of section 1101 (a) of the Social Security Act, as amended, is amended to read as follows:

"(2) The term 'United States' when used in a geographical sense means the States, Alaska, Hawaii, the District of Columbia and the Commonwealth of Puerto Rico."

SEC. 4. Section 3806 (j) of the Internal Revenue Code of 1954 is amended to read as follows:

"(j) STATE, UNITED STATES, AND CITIZEN.—For purposes of this chapter—

"(1) STATE.—The term 'State' includes Alaska, Hawaii, the District of Columbia, and the Commonwealth of Puerto Rico.

"(2) UNITED STATES.—The term 'United States' when used in a geographical sense includes the Commonwealth of Puerto Rico.

An individual who is a citizen of the Commonwealth of Puerto Rico (but not otherwise a citizen of the United States) shall be considered, for purposes of this section, as a citizen of the United States."

SEC. 5. EFFECTIVE DATE.—

(a) The effective date of sections 1, 2, and 3 of these amendments shall be January 1, 1958.

(b) Section 4 of these amendments shall be effective with respect to remuneration paid after 1957 for services performed after 1957.

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
August 13, 1958.

Memorandum.

To: Hon. Harry F. Byrd, chairman, Senate Finance Committee.
From: Clinton P. Anderson.

Mr. Chairman, I would like to invite your attention to a letter and telegram handed to me by the distinguished senior Senator from Arizona. These communications relate the concern felt by the State of Arizona over inclusion of section 510 in the social security bill, H. R. 13549, which is now under consideration by the Finance Committee.

Section 510 of the bill repeals section 9 of the Navajo-Hopi Rehabilitation Act. This provision of the act recognizes the unique Federal responsibility involved in caring for those Indians who are distressed. It requires a special matching formula of Federal aid to the States for amounts paid by the States for old-age assistance, aid to dependent children, and aid to the needy blind for Navajo and Hopi Indians residing on reservations or on allotted and trust lands. Congress recognized by the enactment of this act that the burden of looking after these Indians continues to be a Federal burden and not one which should be placed upon a single or a few States. I can find no explanation why this section which attempts to repeal this Federal responsibility was inserted in the present legislation. The House report gives no enlightenment on this whatsoever. I feel that this attempt is beyond the scope of the present legislation, and I hope that the committee will act to delete it from the bill.

I am attaching copies of the letter and telegram received by Senator Hayden from the Department of Public Welfare of the State of Arizona.

STATE OF ARIZONA,
DEPARTMENT OF PUBLIC WELFARE,
STATE OFFICE BUILDING,
Phoenix, August 6, 1958.

Hon. CARL HAYDEN,
United States Senator,
Washington, D. C.

DEAR SENATOR HAYDEN: This letter is to provide you with additional information in regard to the social-security amendments and is a followup of our telegram of yesterday.

The Arizona State Department of Welfare has historically taken the position that the Navajo's and Hopis have treaties through the Federal Government with all of the 48 States. This indicates a sharing of responsibilities and duties with all of the States. With this as a premise, it is our thinking that a special formula for matching of assistance grants is only just.

The Navajos and Hopis represent 10 percent of our federally matched caseload. This, as you can see, is a heavy percentage, particularly in relation to their population.

The best interest of the State of Arizona would be served by:

1. Continuation of the present Navajo-Hopi formula, and, if at all possible, its extension to aid to the permanently and totally disabled and any other federally matched assistance program that may conceivably develop in the future.

2. Adoption of a variable grant formula in addition to the above for the rest of the caseload. Arizona still falls in the category of a have-not State.

Thank you so very much for your vigilant efforts in our behalf. Reader's Digest may refer to you as the "Silent Senator," but we prefer to refer to you as the "get it done" Senator.

With very best wishes to you and a hope that you adjourn in the near future so that we can have the pleasure of your company in Arizona once again.

Sincerely yours,

FEN HILDRETH, *Commissioner.*

PHOENIX, ARIZ., *August 8, 1958.*

Hon. CARL HAYDEN,
United States Senator,
Washington, D. C.:

Using the proposed variable formula on the federally matched Navaho and Hopi caseload in place of the present special formula will increase the annual State cost for Navaho and Hopi Reservation cases by the following amounts: Old-age assistance, $101,636.64; aid to dependent children, $127,390.02; aid to the blind, $13,553.76. However, there is indication that the application of the variable formula to the entire caseload, including the Navaho and Hopi Reservation cases, would decrease the annual State cost. It would be to Arizona's advantage, in terms of saving State money, to have the proposed variable formula. It would be even to greater advantage to have the new variable formula plus—I repeat, plus—the present special Navaho-Hopi formula. In addition, on philosophical grounds, we would dislike to see the abrogation of Federal responsibility for the special needs on the Navaho and Hopi Reservation. Your efforts are appreciated.

FEN HILDRETH,
Commissioner, Arizona State Department of Public Welfare.

WINONA, MINN., *August 10, 1958.*

Hon. HUBERT H. HUMPHREY,
Senate Office Building,
Washington, D. C.:

H. R. 13549, Social Security Amendments of 1958, is now being considered by the Senate Finance Committee. Title 6, section 601, of this bill proposes major and significant changes in the structure of the Federal child welfare services program under title 5, part 3, of the Social Security Act. This program was originally designed to meet special needs of the States, and was supposed to stimulated voluntary effort. H. R. 13549 would remove the present provisions of the law with respect to the use of Federal child-welfare funds in predominately rural areas and other areas of special need, and would make such funds available in every county in every State, regardless of need. We consider this a serious threat to voluntary child-care programs. I urge your determined efforts to prevent this proposed change, and recommend that it be deleted from the bill. We are in complete accord with the views regarding H. R. 13549 expressed by Mr. Charles J. Tobin, secretary of the New York State Catholic Welfare Committee, in his letter of August 8, 1958, to Senator Byrd, chairman of the Senate Finance Committee. We respectfully solicit your immediate attention to this important matter.

Very Rev. Msgr. J. RICHARD FEITEN,
Director, Catholic Charities, Diocese of Winona, Inc.

NEW YORK PUBLIC WELFARE ASSOCIATION,
August 7, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: The House of Representatives has given almost unanimous favorable action to the Social Security amendments of 1958 which are included in H. R. 13549.

I communicated with Senator Ives and Senator Javits, representing the State of New York, pointing out to them that this bill, as passed by the House of Representatives, had many provisions desirable to the people in the State of New York, and the Nation at large.

Senator Ives has written me indicating that he has submitted my recommendations to your committee for the information and consideration of its members.

We are all interested in reducing, so far as possible, the cost of public assistance, and the provisions of the cost-of-living increases in the insurances will contribute to a reduction in the amounts needed to be spent for public assistance.

Changes with respect to administrative problems which, if enacted, will assist in reducing the cost of administering public-assistance programs are included in this bill.

This association, representing all of the public-welfare administrators in the State of New York, endorses the provisions contained in the bill as enacted by the House of Representatives, and strongly urges favorable consideration by your committee and the United States Senate.

Sincerely yours,

ROGER H. BUTTS, *President.*

SUMTER, S. C., *August 6, 1958.*

Hon. HARRY BYRD,
Chairman of Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SIR: I would like to express my opinions concerning the proposed increase in social-security benefits. According to the information that I have, Congress raised the benefits in 1954 by more than 12 percent for those retiring through September of that year and by more than 16 percent for those retiring afterward. The cost of living, however, rose only 7.6 percent from September of 1952 to April of 1958.

Thus, the higher benefits in 1954 indicate that new increases are not needed to offset the cost of living rise of the last 2 years.

I understand that the Advisory Council on Social Security financing established by Congress in 1956 will not report before the end of this year. In view of this, enactment of new legislation affecting cost and financing should be deferred until the Council study is complete and its report is submitted.

I also understand that HEW Secretary Folsom testified before the committee on June 16 that Congress should create a similar type council to make an intensive review of the social-security benefit structure and other major problems.

The history of social security seems to prove that many Members of Congress feel that during election year it is popular to increase these benefits regardless of the soundness of them. I believe it is time to put a stop to this situation and before any increases are made that it should be on a sound basis according to need and ability to pay and not used as a political football.

I will appreciate your attention to this information.

Sincerely,

D. B. JAMES,
President, Sumter Chamber of Commerce.

LA CROSSE, WIS., *August 10, 1958.*

Senator HARRY BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.:

Regarding H. R. 13549, we understand that provision title 2 relating to title 5, Social Security Act, would remove recognition of voluntary social welfare agencies and their supplementary role in public programs. We would like to reemphasize

the basic traditional role and services of voluntary social service agencies in meeting needs of children and families in our communities. As a member of Wisconsin statute-created advisory committee we see that essential need of continuing recognition of the partnership of voluntary public agencies in meeting needs of all children. We feel section 601 should be deleted or specifically spelled out accordingly.

Thank you,

Msgr. NORBERT DALL,
Catholic Welfare Bureau, Diocese of La Crosse, Wis.

CHICAGO, ILL., *August 6, 1958.*

Hon. HARRY FLOOD BYRD,
Senate Finance Committee,
Senate Office Building, Washington, D. C.:

The National Congress of Parents and Teachers has long been concerned with the program of the Children's Bureau and appropriations necessary to carry its work forward. With 26-percent increase in child population during the last 8 years, and the expected additional increase of 17 percent by 1965, we recognize that even the increased State appropriations cannot provide much-needed services for children.

We feel this justifies increasing ceiling authorization for grants for maternal and child health, crippled children's and child-welfare program. Since appropriations cannot be increased until Congress raises the ceiling, we urge you, as a member of the Senate Finance Committee, to vote favorably for this important authorization.

Mrs. CLIFFORD N. JENKINS,
First Vice President, National Congress of Parents and Teachers.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE
UNITED STATES OF AMERICA,
NATIONAL BOARD,
New York, N. Y., August 11, 1958.

Hon. HARRY FLOOD BYRD,
Chairman, Finance Committee,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR BYRD: The Young Women's Christian Association of the U. S. A. has supported the Social Security Act since its inception and has consistently worked to strengthen it and extend its coverage. Delegates to the national convention of the YWCA in March 1958, representing approximately 2 million members from about 950 associations, expressed special concern for the status of agricultural laborers under this act, and voted unanimously to work for "more adequate benefits assured to seasonal and farm workers."

The 1956 amendments to the Social Security Act adversely affected the coverage of farm laborers by two major provisions. One of these provided that they must earn at least $150 in a calendar year from 1 employer in order to secure credits. The Department of Labor has estimated that 250,000 farm workers lost coverage as a result of the raising of this figure from $100. The other amendment concerns placing the crew leader in the position of employer under the terms of the law. The tentativeness of the relation of the crew leader to the laborer makes his legal status as "employer" inappropriate, and works to the disadvantage of the laborer. The high mobility of both worker and leader works against the maintenance of permanent records and therefore against the full coverage of farmworkers.

The national board of the YWCA hopes, therefore, that in your consideration of H. R. 13549, the proposed Social Security Amendments of 1958, that your committee will recommend lowering the requirement for earnings by farm laborers, and will provide such administrative procedures that will assure seasonal and farmworkers more adequate benefits.

We also regret that there are still some segments of our working population, particularly the self-employed, who are still not covered under the Social Security Act. We hope that the Finance Committee will bear this in mind when the 1958 amendments to the law are considered.

We applaud the extension of coverage contained in the bill and particularly support those amendments having to do with public-assistance provisions and material and child welfare.

Sincerely yours,

MILDRED F. H. JONES
Mrs. Paul M. Jones,
Vice President.

THE DEAN & BARRY CO.,
Columbus, Ohio, August 7, 1958.

Hon. HARRY BYRD,
Senate Finance Committee Chairman,
Senate Office Building, Washington, D. C.

DEAR SIR: It seems that each election year the raising of social security is good politics and that 1958 is no exception.

I have read where the House has recently passed a bill raising social security immediately and of necessity raising the rates on both the employee and employer but not until after election. This sounds like politics when you give the raise now and charge the people for it later.

In my opinion, any raise in social security or any change for that matter should be deferred until after the present long-range study of the whole social-security system is completed. I also believe that with the recession we have had this year that the increased costs to both the employee and employer will be harmful to the economy.

Let us defer any change until it can be considered without the pressure of an election in the offing.

Very truly yours,

ROBERT S. MCKAY II.

THE ROBINSON CLAY PRODUCT CO., INC.,
Akron, Ohio, August 8, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: The increase in old-age benefits and old-age-benefit tax on employers and employees, proposed under H. R. 13549, is not, in my opinion, a properly timed or well-planned legislative program. You have undoubtedly given the bill thorough consideration. I wish, however, to communicate to you my reaction to the proposed changes and ask that you reconsider the following aspects of the problem.

1. *Increased costs of doing business.*—The proposed increase in tax (a change in tax rate from 2¼ percent to 2½ percent and in taxable earnings from $4,200 to $4,800 per year) will raise the per employee cost from $94.50 to $120 at the maximum limit and represents a 27 percent additional old-age-benefit tax. An increase in an individual business expense of 27 percent is not only excessive but ill-timed in that we are in an economic period when industry in general and our company specifically have had an uphill battle to produce profits. The additional cost to our company would be a significant amount, difficult to recover through increased selling prices.

2. *Inflationary effect.*—Increased benefits to retired workers and the increase in fringe benefits to active employees has obviously an inflationary tendency since productivity is not changed. Hence, the Federal Government, which has been actively opposing further inflation, would, by H. R. 13549, be feeding the inflationary trend.

3. *Lack of thorough planning.*—Increased benefits without adequate actuarial studies is an illogical procedure. Private insurance companies with annuity or retirement policies have not been able to develop practical programs similar to the increased benefits granted under H. R. 13549. I believe that a necessary preliminary before such a bill includes a thorough actuarial review including the possibility of definitely funding the program. While cradle-to-grave security is, of course, desired by all, I cannot understand how benefits of $127 per month or $1,524 annually can be provided with contributions of $8,400 from employers and employees over a 35-year period.

Will you, therefore, lend your support to the defeat of the present H. R. 13549 and recommend the return of the bill to committee for further investigation?

Yours very truly,

W. H. ROBINSON, *President.*

DAYTON CARBIDE TOOL COMPANY, INC.,
Dayton, Ohio, August 8, 1958.

Hon. HARRY F. BYRD,
Senate Finance Committee Chairman,
Senate Office Building, Washington, D. C.

DEAR SIR: We see where the House of Representatives passed a bill, H. R. 13549, increasing old-age benefits and its taxes, and will soon be heard by the Senate.

We believe the matter warrants more consideration than the November elections, and urge nonpartisan thinking with facts and figures being employed to substantiate any decision. These facts and figures should be obtained by the congressional study of social-security financing now in process. Therefore, no decision should be rendered until this study is completed and compiled into readable facts.

Tax increases of any kind can only add to our woes as a small business, and this would be multiplied if proven unnecessary.

We trust you will give this your undivided attention.

Very truly yours,

ROBERT J. HAINES,
Assistant Secretary-Treasurer.

THE GREENFIELD PRINTING & PUBLISHING CO.,
Greenfield, Ohio, August 8, 1958.

Senator HARRY F. BYRD,
Senate Finance Committee Chairman,
Senate Office Building, Washington, D. C.

DEAR SIR: It is disappointing that apparently we are faced with another round of price increases and inflation. It seems too bad that the steel manufacturers found it necessary to increase their prices, which will, of course, be reflected in our cost of living.

It is our understanding that you are now giving thought to increasing the social-security payroll tax rate and tax base. If this is done, how can we expect labor and business to keep the wage scale and products prices at their present level? Apparently there just does not seem to be an end to the continual increase in the cost of living.

We would like to suggest that you give long and careful thought to any increases in our tax schedule. As manager of a small business, we find it increasingly difficult to stay competitive.

Yours truly,

WILSON L. MOON,
President and General Manager.

LOS ANGELES, CALIF.

Hon. HARRY F. BYRD,
Chairman and members, Senate Finance Committee,
Senate Office Building, Washington, D. C.:

To increase social-security taxes on 75 million working Americans to pay increased benefits to 12 million on social-security rolls will add to inflation and create additional burdensome tax load for business. We urge that no social-security changes be made pending the filing of the study of the Advisory Committee which is evaluating the program. Past election year liberalizations largely responsible for present financial imbalance in system we count on fiscal integrity of Senate Finance Committee to keep this issue in proper perspective.

Respectfully,

GEORGE B. GOSE,
President, Los Angeles Chamber of Commerce.

BOSTON, MASS., *August 11, 1958.*

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.:

Referring to H. R. 13540, at present before the Senate Finance Committee, section 206 of this bill repeals section 204 of Social Security Act which in part provides that workmen's compensation payments shall be deducted from social-security benefits based on disability. Elimination of this deduction would be a potent factor in destroying disabled workers incentive to return to work. It would result in increased cost to employers, both for social security and workmen's compensation insurance. It would weaken the object of our workmen's compensation law which is to rehabilitate injured workers as soon a spossible for their own good and for the benefit of society. Strongly urge that section 206 of the bill be stricken out.

GREATER BOSTON CHAMBER OF COMMERCE,
PAUL T. ROTHWELL,
Chairman, National Affairs Committee.

NEW YORK, N. Y., *August 11, 1958.*

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.:

The National Medical Foundation for Eye Care, recognized spokesman for American Ophthalmology in public affairs, respectfully requests that the following statement be accepted as part of the official record of the Senate Committee on Finance, for consideration by your committee in its deliberations on proposed amendments to the social security law.

Ophthalmologists are doctors of medicine, who, by training and practice, are competent to render every kind of scientific diagnosis and medical and surgical treatment of the human eye, including refraction. Optometrists are not doctors of medicine, and, under the laws of the several States, are not permitted—nor are they educationally qualified—to diagnose diseases of the eye or diseases of the body manifest in the eye, nor to administer drugs or medicines, nor to perform surgery on the eye. Their proper and legal field is the measurement, through refraction, of the physical powers of the eye and the prescription of glasses for the correction of such visual deficiencies as may be so corrected.

In view of these facts, we respectfully express our firm opposition to the amendment proposed to your committee on August 8, 1958, by V. Eugene McCrary, and on behalf of the American Optometric Association, which would provide that in the Social Security Act "the services of optometrists would be available to beneficiaries of health programs financed in whole or in part by funds appropriated from the Treasury of the United States * * *."

We also wish to reiterate our opposition to the amendment proposed to the House Ways and Means Committee on June 18, 1958, by William P. MacCracken, Jr., on behalf of the American Optometric Association, which would provide that in the Social Security Act "and in all Federal legislation and regulations the terms 'health care' and 'medical care' shall be deemed to be synonymous" * * *, etc., to which Mr. McCrary alluded in his testimony on August 8, 1958.

The effects of this principle, as already applied to the Federal program for aid to the blind, through the 1950 amendments to title X of the social-security law, are flagrantly contrary to the public interest and specifically to the welfare of many persons adjudged to be blind on the basis of optometric "examinations." Evidence can be produced to show that in some cases proper treatment has been delayed, or possible rehabilitation or cure denied, because of diagnosis rendered by others than fully qualified medical practitioners.

The optometric claims to competence in the field of ocular pathology made by Mr. McCrary before your committee on August 8, 1958, are in several instances belied by statements originating from optometric spokesmen and organizations.

In the article, Optometric Jurisprudence, in the New York County Optometric Society Bulletin, volume 4, June 1957, by Harold Kohn, counsel to the American Optometric Association, this statement occurs:

"An optometrist is concerned solely with the correction and improvement of vision and the accomplishment thereof without the use of drugs, medicine, or surgery."

In a letter signed by Andrew J. Denman, O. D., chairman, interprofessional committee of the Georgia Optometric Association, addressed to Georgia ophthalmologists on date of November 26, 1957, the following statement was made:

"Most of our college and university programs in optometry today consist of 2 years of liberal arts or science and 4 years of professional training. Even though study is made of ocular pathology, it is given and intended as basic knowledge only in order that optometrists be capable of recognizing a diseased condition that must be referred to you and your colleagues for attention. We do not attempt to diagnose or treat, as that is the job of the medical doctor."

Whenever blindness exists, it is the result of disease or injury, conditions which can be diagnosed and treated only by a physician. Moreover, every time a patient is adjudged blind on the basis of an optometric recommendation, an opportunity is lost to determine the true medical cause of blindness and to appraise the chances of rehabilitation or cure.

The statement of Mr. McCrary to the effect that "Everyone is conscious of the shortage of physicians * * *" is made without a shred of supporting data. Furthermore, it utterly fails to justify the utilization of any personnel other than those fully qualified by virtue of medical training to perform a medical task.

To state, as this law now states, that "in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye or by an optometrist" * * * is to characterize the optometrist as the equivalent of a physician skilled in diseases of the eye—a theory untenable in fact and dangerous to the public welfare.

We respectfully urge that the amendments proposed by Mr. McCrary and Mr. MacCracken be rejected and that your committee amend the provisions of Public Law 734 of 1950, section 341, subsection (E), clause 10, by striking out the words "or by an optometrist, whichever the individual may select," thus making this clause to read: "(10) provide that in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye."

CHARLES E. JAKOKLE, M. D.,
Secretary, National Medical Foundation for Eye Care.

UNITED MINE WORKERS OF AMERICA,
LOCAL UNION NO. 5179,
Oakland City, Ind., July 31, 1958.

Mr. WINFIELD DENTON,
House of Representatives.

DEAR SIR: By the action of UMW Local Union 5179, Oakland City, Ind., was to request you to hold the tops for benefits to $4,200 per year. By this we mean if a person makes $4,200 they would be entitled to the full amount, or $126.50 per month.

There is a large percent of the working people that will not make the $4,800. That is why we want to hold it to $4,200 for top benefits.

Yours truly,

EMIL DOUGAN, *Recording Secretary.*

CHICAGO, ILL., *August 13, 1958.*

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

HON. SENATOR BYRD: Representing the International Association of Accident and Health Underwriters, an organization of 93 State and local associations comprised of individuals engaged in merchandising health insurance, I submit to you a statement for the record on pending social-security amendments (H. R. 13549).

We concur in the statement made before your committee August 12 by John H. Miller. We wanted to appear before your committee, but realize you have a crowded schedule. Should there be further hearings, we feel we could supply helpful information.

More than 500 bills were related to social security in recent House committee hearings. It has been difficult to keep track of the testimony on provisions now incorporated in the bill before you. We feel additional time for hearings should be afforded because many of the provisions in H. R. 13549 received little or no testimony before the House committee.

We do oppose two features of the bill:

Liberalization of disability benefits is not warranted. One year's experience is insufficient. Costs, we feel, will begin to exceed estimates in the next few years.

Increase in wage base from $4,200 to $4,800 is unjustified. Wage base should relate to average earnings of full-time workers. This average is currently $4,100.

BRUCE GIFFORD,
Managing Director, International Association of Accident and Health Underwriters.

STATE OF MINNESOTA,
DEPARTMENT OF HEALTH,
Minneapolis, August 8, 1958.

Hon. HARRY FLOOD BYRD,
Chairman, Finance Committee of the Senate,
Senate Office Building, Washington, D. C.

DEAR SIR: The Association of State and Territorial Health Officers at its annual meeting in November 1957 in Washington recommended that the association request the Congress to raise the statutory ceiling on maternal and child health and crippled children's funds to $25 million each and to appropriate additional funds to the Children's Bureau for grant-in-aid allocation to the States. I understand this matter is now before the Senate Finance Committee for consideration.

The continuing increase in our child population, increased costs, and need for trained personnel necessitate expanding programs in the field of maternal and child health to meet the growing needs of our citizens. In accordance with our customary procedure, we are herewith transmitting to all Minnesota Congressmen a summary of the Minnesota maternal and child health program and some reprints and brochures relating thereto.

One of our most effective approaches toward meeting some of the problems of mothers and children is demonstrated by our maternal mortality study, which carefully studies all maternal deaths to find all preventable factors and means of eliminating or, at least, reducing them to the minimum. A similar study of fetal and neonatal deaths (first 30 days of life) provides guidelines to necessary programs for improving the health of mothers and children. As a result, this has been one of the factors in improved medical and hospital care in Minnesota, with resulting decrease in mortality. With 85,000 births in 1957, there were only 17 maternal deaths, a rate of 2 per 10,000 live births, one of the lowest rates in the country. These studies are carried out in cooperation with the State medical and hospital associations.

One of our most recent programs is concerned with the leading cause of death in children and, in fact, up to age 35; namely, accidents. Accident and injury prevention is one of our most serious public-health problems. One of the frequent accidents in children is poisoning. To meet this aspect, a poison information center has been established and 15 to 20 regional centers are being developed. In the field of motor-vehicle accidents, we are cooperating in the Cornell automotive crash injury research with the State highway patrol.

Other activities include consultation services to physicians, hospitals, nurses, and the public for improvement in maternity and infant care, premature care, control of hospital infections, improvement of nutritional knowledge and practices. In addition to providing advice and assistance to local communities, schools, hospitals, official and voluntary agencies in developing and extending local maternal and child-health programs, we provide refresher courses and in-service training for physicians, school and hospital nurses, and school personnel and expectant parent classes and care of the baby for the public. This includes free educational material, films, and exhibits.

The school-health program includes consultation to schools on health services, immunizations, preschool and school examinations, dental health, and workshops for school administrators and teachers. Research on causes of illness and deaths, accidents, and food habits of schoolchildren are an important part of our program.

I hope this brief summary will provide you with some useful data of the activities in Minnesota in the field of maternal and child health.

Respectfully,

R. N. BAAR, M. D.,
Secretary and Executive Officer.

BURLINGTON, N. J., *August 4, 1958.*

Hon. CLIFFORD P. CASE,
Rahway, N. J.

DEAR SENATOR CASE: The American Optometric Association, with which the New Jersey Optometric Association is affiliated, has recommended the following amendment to the social-security law:

"It is hereby declared to be the intent of Congress that the services of all duly licensed practitioners within the scope of their practice as prescribed by the laws of the jurisdiction in which the service is rendered shall be made available to all beneficiaries or recipients of Federal aid, and to that end the term 'health care' shall hereafter be deemed to supersede the term 'medical care,' save and except where the service to be rendered can only be performed by a duly licensed doctor of medicine."

As a member of the New Jersey Optometric Association, I sincerely request your support of the above amendment in committee and on the floor.

Sincerely,

Dr. LEONARD BAKER.

ATLANTIC CITY, N. J., *August 4, 1958.*

Hon. CLIFFORD P. CASE,
United States Senator,
Rahway, N. J.

DEAR SENATOR CASE: I urgently ask you to support the American Optometric Association amendment to the social-security law.

Passage of this amendment will aid greatly in dispelling antioptometric discrimination in Federal legislation.

Your cooperation will be appreciated.

Sincerely,

MAXWELL D. BROWN, O. D.

FLEMINGTON, N. J., *August 5, 1958.*

Hon. CLIFFORD P. CASE,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CASE: At recent hearings held to amend the social-security law, my professional association, the American Optometric Association, of which the New Jersey Optometric Society is an affiliate, recommended that any proposed measures substitute the words "health care" for "medical care" wherever applicable.

I am taking this opportunity to inform you that this recommendation has my own personal support, and to respectfully urge that you give it yours, whenever it comes before you for consideration.

With kindest regards and best wishes, I am,

Yours truly,

STANLEY J. LIEBERMAN, O. D.

BRIDGETON, N. J., *July 25, 1958.*

Senator CASE (New Jersey),
House Office Building,
Washington, D. C.

DEAR SENATOR CASE: During the recent hearings held by the Ways and Means Committee on bills to amend the social security law the American Optometric Association, with which NJOA is affiliated, recommended that any legislation which might be favorably reported by the committee dealing with this subject should include the following language:

"It is hereby declared to be the intent of Congress that the services of all duly licensed practitioners within the scope of their practice as prescribed by the laws of the jurisdiction in which the service is rendered shall be made available to all beneficiaries or recipients of Federal aid and to that end the term 'health care' shall hereafter be deemed to supersede the term 'medical care,' save and except where the service to be rendered can only be performed by a duly licensed doctor of medicine."

The NJOA strongly endorses this amendment and urgently requests your support of it in committee and on the floor.

Always with kindest personal regards and good wishes I am,

Sincerely,

Dr. J. LEONARD CAHAN,
President, Southern New Jersey Optometric Association.

CLIFTON, N. J., *August 1, 1958.*

DEAR HON. CLIFFORD P. CASE: In the interest of better health care for our people, I urge your favorable action on the amendment to the social-security law presented by the American Optometric Association.

Respectfully,

ARNOLD R. KLEIN, O. D.

IRVINGTON, N. J., *August 1, 1958.*

Hon. CLIFFORD P. CASE,
Senate Office Building, Washington, D. C.

DEAR SENATOR CASE: During the recent hearings held by the Ways and Means Committee on bills to amend the social-security law the American Optometric Association, with which the New Jersey Optometric Association is affiliated, recommended that any legislation which might be favorably reported by the committee dealing with this subject should include the following language:

"It is hereby declared to be the intent of Congress that the services of all duly licensed practitioners within the scope of their practice as prescribed by the laws of the jurisdiction in which the service is rendered shall be made available to all beneficiaries or recipients of Federal aid and to that end the term 'health care' shall hereafter be deemed to supersede the term 'medical care,' save and except where the service to be rendered can only be performed by a duly licensed doctor of medicine."

The New Jersey Optometric Association strongly endorses this amendment and urgently requests your support of it in committee and on the floor.

Always with kindest personal regards and good wishes, I am

Sincerely yours,

ALBERT GAAL, O. D.

VINELAND, N. J., *August 1, 1958.*

Hon. CLIFFORD P. CASE,
Rahway, N. J.

DEAR SIR: You are respectfully requested to give favorable consideration to the amendment to the social-security law proposed by the American Optometric Association and stating, in part:

"* * * the term, 'health care' shall hereafter be deemed to supersede the term 'medical care' save and except where the service to be rendered can only be performed by a duly licensed doctor of medicine."

It is felt that duly licensed practitioners practicing within the scope of the laws of their jurisdiction shall be qualified to render services to all beneficiaries and recipients of Federal aid.

Thank you for your kind attention to this matter.

Respectfully yours,

MORRIS GREENBERG, O. D.

(Whereupon, at 5 p. m., the committee adjourned, to reconvene at 10 a. m., Monday, August 11, 1958.)

SOCIAL SECURITY

MONDAY, AUGUST 11, 1958

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, at 10:15 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd, Kerr, Long, Douglas, Martin, Williams, Malone, Bennett, Carlson, and Jenner.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

Senator KERR. Mr. Chairman, I would like for the record to show that I have received vigorous telegrams of support for this measure from the following people:

Hon. Raymond Gary, Governor of Oklahoma; Hon. J. Howard Edmondson, Democratic nominee to succeed Governor Gary; Mr. Rupert L. Jones, chairman of the Oklahoma Public Welfare Commission; Mr. L. E. Rader, director of public welfare for the State of Oklahoma.

The CHAIRMAN. The first witness today is Dr. Martha M. Eliot, representing the American Public Health Association.

Dr. ELIOT. Please proceed?

STATEMENT OF DR. MARTHA M. ELIOT, REPRESENTING THE AMERICAN PUBLIC HEALTH ASSOCIATION AND THE AMERICAN PARENTS COMMITTEE

Dr. ELIOT. Mr. Chairman and members of the committee, I am here to represent the American Public Health Association and the American Parents Committee.

At the time when I asked to appear I had not been asked to represent the American Parents Committee but since then I have been so asked, and I am here to speak strongly in favor of the provisions of title VI of H. R. 13549, which increase the amounts authorized for appropriation under the Maternal and Child Health, the Crippled Children, and the Child Welfare provisions in title V of the Social Security Act.

The last increases in the authorizations for these programs of services to children and mothers was in 1950 for maternal and child health and crippled children and in 1956 for child welfare.

I have with me a prepared statement which I would like to submit for the record so as to save your time at this point.

The CHAIRMAN. Without objection, your statement in full will be made a part of the record.

Dr. ELIOT. I want to speak briefly on why some of the increases are needed but first I would like to tell you that the American Public Health Association is the largest public health association of public health personnel in this country, it has 13,000 members, many of whom are working in the State and local public health departments and have direct knowledge of the child health program supported in part by Federal grants under parts 1 and 2 of title V of the Social Security Act.

The American Parents Committee is a small but active committee of citizens devoted to furthering legislation to improve the well-being of children everywhere.

Both of these organizations are greatly encouraged that the House has approved increases effective in 1959 of $5 million in the amounts authorized for each part of title V of the Social Security Act, and these organizations urge that this committee of the Senate give its support to these increases.

When appearing before the House Committee on Ways and Means for the American Parents Commitee, I summarized seven reasons why these ceilings should be raised now.

First, there has been an unprecedented increase in child population since 1950. Twenty-six percent actually in 8 years, and the Bureau of the Census prophesies that it will go up at least another 17 percent by 1965.

You know well the great movement of people to the cities from our rural areas. This, too, affects the child health and the child welfare programs of the States in our country.

Now combined with this increase in population in recent years there has occurred a very great increase in the cost of hospital care which applies to the crippled children's program particularly and in salaries of health and welfare personnel everywhere in the country.

These increases have varied from 33 percent for child welfare personnel up to as much as 75 percent or nearly 75 percent for public health nurses.

Much of the new money that has been made available since 1950 by Federal, State, or local agencies, has gone to meet these rising costs and to keep up with the new families that have come into being because of the increase in our population.

There have been relatively few new programs of service and care started during these current years and yet we now have much new scientific knowledge, new medical and surgical techniques, and new understanding of human relations that should be applied much more widely than they are in behalf of children everywhere in our country.

We have these new facts but we have too few new resources with which to put them to work, and far too few children are benefiting. I refer to such things as the drugs for children with epilepsy, the surgical care of children with congential heart disease, the prostheses for child amputees, and so on.

Some of these programs are very costly indeed and most families in our country could not consider paying the cost.

For instance, for the open-heart surgery it costs up to $3,000 for a single child. For the care of an emotionally disturbed child, it may also run anywhere from $1,000 to $3,000 a year.

There are great gaps geographically still in our programs of preventive health and welfare services for children.

Some types of medical care and facilities are available only in our greatest cities.

We, unfortunately, have to report that in 1957, for the first time in 21 years, infant mortality in our country rose a small proportion. If we are going to maintain the downward trend of which we have been so very proud in all of these last years we have to redouble our efforts for child health.

These and other facts were presented by many witnesses to the House Committee on Ways and means, and I might refer to the Association of State and Territorial Health Officers, the American Public Health Association, the Congress of Parents and Teachers, the National Association for Retarded Children, the American Legion, and the Child Welfare League, and others.

The $5 million increase which has been approved by the House for each of the parts of this program, we believe, will go a considerable way in relieving the immediate needs of children in the health and welfare fields.

They will take up part of the slack in the numbers of children being served by all three of these programs. They will extend existing types of programs to a considerable number of families over the country. They will allow for a few new clinics and for meeting the higher costs of care for an increasing number of certain types of crippling conditions. We want to urge the committee to concur with the House figures for 1959.

However, speaking for myself, and for my colleagues in the maternal and child health section of the American Public Health Association who know the very great number of children in need of care in this country, and the time it takes to develop the required services, I want also to suggest to this committee that it consider going one step further than did the House.

We would propose that you add to each of the appropriations sections in title V of the Social Security Act language providing for additional increases to be effective in 1961, 2 years hence.

For example, maternal and child health, an additional increase of $3½ million. For crippled children $5 million; for child-welfare services $8 million.

This was the procedure followed by the Congress in 1950 when amending title V of the Social Security Act.

This proposal would allow for more effective forward planning by the States. It would give them a goal to work toward in their own appropriations. To develp a new clinic for children, to locate and train personnel often takes a year or more after funds are in sight.

Delay in planning means delay in getting children under care. Delay in bringing children under care means more handicapped children, more disturbed children, and a more expensive process of restoration to health and well-being later on.

We propose that the Congress help the States to look and plan ahead, not only by accepting the increases approved by the House for 1959, but by providing the suggested added stimulus in 1961.

In making this proposal, I speak as one who has some knowledge of the needs of many children for health, medical, and social services and care, which are now denied largely for lack of funds.

But let me say, too, that I do not pretend to know the fiscal position of our Government. It is the Congress which will have to decide whether we can afford to provide these additional funds in 1961. I am not here to urge you unduly to undertake this additional step, but to assure you that if you should find it possible you will be giving many children much that they need in health and ability to grow into emotionally stable, self-supporting individuals.

And finally, for myself, I want to express great satisfaction with the substantive changes the House made in the child-welfare service part of title V of the Social Security Act—removing the limitations relating to rural areas, providing for reallottment of funds, providing for State matching, and for improving the provisions for runaway children.

These changes will improve the child-welfare program in our country very greatly, indeed. I strongly urge that they be retained by the Senate.

Thank you.

The CHAIRMAN. Thank you very much, Dr. Eliot.

Are there any questions?

Senator CARLSON. Dr. Eliot, may I inquire as to how this new formula is going to work, these changes now, as I understand it will be changes in the formula for the allotment of Federal funds to the States for child-welfare work?

Dr. ELIOT. That is right.

Senator CARLSON. How will that affect, for instance the State of Kansas in your opinion?

Dr. ELIOT. I do not have before me a list of the actual sums of money that would go to the various States.

The formula, as you know, will take into consideration the per capita income of the State and the total number of children under 21 in the country and the spread among all the States will be from, I think it is 70 percent to 33 percent in the allotment of the money.

Now the amendments do make a special provision that at no time will the amount of money going to any State be reduced below that which they would get under the present law. This would be a very important part of the amendment to the act, because no one wants to amend the program in such a way that any State or the number of children, or the children in any State would suffer as a result of such a change.

Senator CARLSON. Dr. Eliot, we have had as I am sure every other State has had, a very fine child-welfare program.

We have been very proud of it and I wanted to be certain there was nothing in this formula that would affect the splendid cooperation and effective work that we have had with the Federal Government.

I noticed you commented that you favored the provisions that are in this bill?

Dr. ELIOT. I do.

Senator CARLSON. Has this runaway child or children's problem been much of a problem for a State? I notice we are going to have the Federal Government assume some of the costs of returning these children.

Has that been a problem?

Dr. ELIOT. For the runaway children?

Senator CARLSON. Yes. What has been the problem?

Dr. ELIOT. This has been a problem. And under the child-welfare program at the present time certain of the costs can be paid through the child-welfare programs of the States to get these children back to their own homes.

The improvement that will be made is that the cost of taking care of the child in the State to which he has gone will be taken care of for 15 days at this point, and this is a simple change, but it will help the programs and provide for care of the child until he is returned to his own home.

The problem of runaway children has been quite great especially to certain parts of the country, and of course they go through States in going to those particular parts to which they like to run, namely, the West, and the South, Florida and California, which have a great bulk of the care, and to many of the other States also.

Senator CARLSON. Mr. Chairman, I appreciate very much the statement of Dr. Eliot, and I ask unanimous consent that a letter that I have received from Dr. Martin, who is director of the Kansas State Board of Health and deals specially with this problem, be made a part of the record.

Senator KERR. Without objection, it will be entered here.

(The letter follows:)

THE KANSAS STATE BOARD OF HEALTH,
Topeka, Kans., August 6, 1958.

Hon. FRANK CARLSON,
The United States Senate, Washington, D. C.

DEAR SENATOR CARLSON: We are informed that the House has passed H. R. 13549, a bill raising the ceiling on appropriations to the Children's Bureau for its grant-in-aid program to the States in maternal and child health services, crippled children's services, and child-welfare services by approximately $5 million. It is our further understanding that there are 2 bills now before the Senate Finance Committee, S. 3504 and S. 3925, which together would have the same effect as H. R. 13549, except that they would raise the ceilings to $25 million.

It is not our purpose now, or at any other time, to lobby for bills involving increased expenditure of tax funds, but I thought you might be interested in the attitudes of your own State health department toward these bills.

As far as the overall amounts are concerned, it seems to us (1) that children are a first-class investment and (2) that it would be desirable to set the ceilings at the highest figure—$25 million—as the Congress each year has the opportunity to set the level of the appropriation. In our experience, the Children's Bureau has done an excellent job of administration. If it has erred, it is in the direction of not taking a strong enough stand with the States, rather than the other way around.

As regards the categories for which increases are projected, it is our feeling that, while the strongest possible cases can be made for upping the limits on maternal and child health and crippled children's services, the strongest case of all can be made for the increase to child-welfare services. Child welfare is an exceptionally important part of work with children, and it is chronically indigent, whether on a public or a private basis. We would be very pleased to see S. 3925 pass. In practice, child welfare, crippled children's work, and maternal and child health all overlap, and should be brought along together, if possible, to maintain a proper balance of services.

In Kansas, these Children's Bureau funds have for more than 20 years underwritten an astonishing variety of services for children and mothers, and are now woven closely into the Federal-State-local pattern of financing. I can assure you that the increases in the ceilings are needed, that they will be used carefully, and that they will return dividends to the State of Kansas out of all proportion to the investment.

I am taking the liberty of sending a copy of this letter to Senator Schoeppel for his information and interest.

Sincerely yours,

G. MARTIN, M. D.,
Executive Secretary.

Senator KERR (presiding). Thank you very much, Dr. Eliot.

Senator MALONE. I would like to ask you some questions.

Senator KERR. Senator Malone.

Senator MALONE. Dr. Eliot, I am sorry that I do not have your background. You are head of this association. What else do you do?

Mr. ELIOT. I should have stated that, sir.

Senator KERR. You should have.

Dr. ELIOT. For the record, I am at the present time professor of maternal and child health at the Harvard School of Public Health; formerly I was Chief of the Children's Bureau.

Senator KERR. In the Department of Health, Education, and Welfare?

Senator MALONE. Yes; you have had a lot of experience in this field.

Dr. ELIOT. I am a member of the Public Health Association, a fellow of that association, and am also a member of the legislative committee of the section of maternal and child health of that organization.

Senator MALONE. Your statement seems to indicate that we have not been very efficient in taking care of some of our own local problems. You do not believe that the Congress has been very efficient in this field, do you?

Dr. ELIOT. Mr. Senator, I think that the Congress has, since the beginning of this program, done well in increasing the amounts of money that have gone to the States. The Federal money has been a very great stimulus to the States to increase, to extend, to improve their own programs. There is great need, however, to carry it further, so that all children in the country get the benefit of all of these programs, and they do not at this time.

Senator MALONE. What does the bill carry in percentage of matching funds, or how do you express it?

Dr. ELIOT. Yes. Under this bill, the matching proposition for parts 1 and 2, which are the health programs, will not be changed.

Senator MALONE. What is that at the present time?

Dr. ELIOT. Those formulas are taken care of in sections 502 and 512; one-half of the money for maternal and child health is matched dollar for dollar. One-half of the crippled childrens' money is matched dollar for dollar.

Senator MALONE. That is one-half of the cost in a State is matched dollar for dollar; that is the one-half; that would be three-fourths to be furnished by the State; is that what you mean?

Dr. ELIOT. The State, under the law, is required to match half of the Federal money. However, it is true that the States are putting up, in the aggregate, much more money than the Federal Government is putting in.

Senator MALONE. Yes; I tried to understand what you meant by dollar-for-dollar matching for one-half of the cost.

Dr. ELIOT. Yes.

Senator MALONE. Would you explain that a little more?

Dr. ELIOT. When the Federal agency gives to the State a thousand dollars, under section 502 (a) of the Social Security Act, the State, in order to get that money, must put up an equal amount of money; in other words, it must match exactly the amount of money it gets from the Federal Government under that section.

Senator MALONE. Well, that is all, then, that they get under that program, that part of the program?

Dr. ELIOT. Then, in addition, there is a second fund of Federal money that goes to the States for assistance in carrying out their State plans.

Senator MALONE. That is the other half?

Dr. ELIOT. This is the other half.

Senator MALONE. That is furnished by the Government?

Dr. ELIOT. This is allotted to the States on a formula, three-quarters of it on a formula which takes into consideration the income per capita as well as the numbers of children in need.

Senator MALONE. That is under another law, is it?

Dr. ELIOT. It is under this law.

Senator MALONE. Under this law?

Dr. ELIOT. Under this law but a different section.

Senator MALONE. And not changed by this bill?

Dr. ELIOT. Not changed by this bill and this is true of the crippled children's program, also.

Senator MALONE. You did give some figures of children, 1,000 to 3,000, which is enlightening to me, as to the amount of cost.

Now just the average help of the children, what would that run a year, per year, what would that per child, say, in the ordinary run of events be?

Dr. ELIOT. What is the death——

Senator MALONE. No, the amount of money that would be put up for children per capita?

Dr. ELIOT. I am sorry, I will not be able to answer that, but will supply it for the record so you may have it.

Senator MALONE. That will be very helpful.

(The information is as follows:)

For fiscal year 1957, the States reported a per capita per child expense of $4.20 for the services provided through the 3 programs for which grants are authorized under title V of the Social Security Act. On the total of $4.20 per child 59 cents was from Federal funds, $3.61 from State and local funds.

Senator MALONE. We have heard a lot in the last 20 years, 24 or 25 now, about people all over the world in need of all this money and the Congress has been very lenient and very helpful, but if we are neglecting our own it would not look quite so good, would it?

Dr. ELIOT. I think it would be very helpful if our own children can get as much help as we are able to give them.

There is no question about that.

Senator MALONE. Would you think they ought to come first?

Dr. ELIOT. Well, I like to think of all the children all over the world. I do think we have to set an example as to what is good to be done for children right here in our own country.

Senator MALONE. You do not think we are doing it now?

Dr. ELIOT. No, I do not think we are doing enough.

Senator MALONE. I think you are talking to a very sympathetic committee, and I think they want to go as fast as they feel they can go and business must, after all, carry the load, while the employees always put up half of it or whatever it is, but that has to be included in the wages or salary before they can do that, so it really means judging the load on business as to what it could carry, does it not, and you

have studied this, you believe that it is a fair bill, that it can be done without being too burdensome to the economic structure?

Dr. ELIOT. As far as the bill as sent over from the House is concerned, I think that this is a good next step to help children in the country in title V.

Senator MALONE. Now the old-age provisions, what does the ordinary retired person receive in old-age benefits, how much?

Dr. ELIOT. Mr. Senator, I am not competent to speak to the old-age provisions.

You will have to address your questions to another witness.

Senator MALONE. All right.

Thank you very much.

Senator KERR. Thank you, Dr. Eliot.

Senator LONG. Permit me to say it was a very fine statement you made.

I will not ask any questions at this time but I appreciate your statement; it was very good.

Senator DOUGLAS. I would like to join in that, too, Dr. Eliot.

(Complete statement of Dr. Eliot follows:)

STATEMENT OF DR. MARTHA M. ELIOT IN BEHALF OF THE AMERICAN PUBLIC HEALTH ASSOCIATION AND THE AMERICAN PARENTS COMMITTEE

Mr. Chairman: I am here representing the American Public Health Association and the American Parents Committee to speak strongly in favor of the provisions of H. R. 13549 which amend title V of the Social Security Act. Both of these organizations are greatly encouraged that the House has approved increases effective in 1959 in the amounts authorized for appropriation for the maternal and child health, crippled children's, and child welfare services.

The American Public Health Association is the largest professional organization of public health personnel in this country. It has 18,000 members and fellows from all parts of our country. The Maternal and Child Health Section, and, indeed, a number of other sections, have as members many persons who are greatly concerned that State and local services for children, both health and welfare, public and voluntary be developed as effectively as possible. This concern includes the steady extension and improvement of the official State and local child health services and programs for the medical care and rehabilitation of crippled or handicapped children. Likewise, our members are concerned with the State and local child welfare services for they know that each of these programs supplements the others and they all need to be strengthened if children are to be well served.

The American Parents Committee is a small committee of which Mr. George Hecht of New York City is the chairman, and I a vice chairman. This committee is devoted to furthering legislation to improve the well-being of children everywhere.

When various bills were before the House Committee on Ways and Means I appeared at hearings for the American Parents Committee to urge substantial increases in the amounts authorized for appropriation for the Maternal and Child Health, the Crippled Children's and the Child Welfare Services as proposed in H. R. 12834 (McCarthy) and H. R. 12871 (Kean). Associated with our committee in a panel of witnesses were representatives of a number of other national organizations, all of which were advocating that $25 million be established as the ceiling for each part of the program. Among these were the Association of State and Territorial Health Officers, the American Public Health Association, the Association of State Maternal and Child Health and Crippled Children's Directors (submitting a statement), the Child Welfare League of America, the National Association for Retarded Children, the National Congress of Parents and Teachers. All of these organizations gave their reasons for seeking this increase as can be seen in the House records.

In my brief testimony I summarized 7 reasons why we urged the Congress to raise these ceilings to the $25 million level. These included:

1. The unprecedented increase in the child population from 47 million in 1950 to 60 million in 1957 (26 percent in 8 years). By 1965 the Bureau of the Census estimates there will be another increase of 17 percent.

2. The costs of care and services have mounted very rapidly in this period. Hospital costs have increased 47 percent; salaries for medical officers in State health departments 63 percent; salaries of public-health nurses, 74 percent; salaries of child welfare workers, 33 percent.

3. Recent developments in scientific knowledge leading to new techniques and methods of medical and surgical care and of rehabilitation of crippled and handicapped children have opened the way to restore to wholly normal life or to a life of self-support and satisfactory usefulness children who have until now been considered hopelessly crippled or with but a few years to live. Many new types of care are now available.

4. The very high cost of certain types of individual care must be met. This includes such care as open-heart surgery—one of the newest of modern surgical techniques; fitting prostheses to child amputees—even children only 18 months or 2 years old; provision of hearing aids and speech training for very young children; care and training of mentally retarded children. For the open-heart surgery the cost may be as high as $3,000 for 1 child. There are some 50,000 children born each year with congenital heart defects of which about 80 percent can be helped greatly by surgery and very large numbers can be restored to normal if they get this care in time. Today thousands could be cared for in some of the great surgical clinics if funds become available to pay for care. Many are now denied care because of lack of funds to meet the high cost and develop the program.

5. There is a continuing great inequality in the geographic distribution of basic child health and child welfare services. There is likewise a shortage of special lifesaving and restorative services in many areas of the country. Only in great metropolitan cities can some of them be found. To fill the gaps in quantity and quality will require many new workers—nurses, child welfare workers, etc.—many new special clinics and experts to man them.

6. May I remind you that perinatal mortality (deaths of infants before, at, and immediately after birth) ranks fourth in the list of causes of death. Only heart disease, cancer, and cerebral hemorrhage rank higher. Also, for the first time in 21 years the infant mortality rate (deaths of infants under 1 year) went up in 1957. This is indeed a warning that efforts to save the lives of infants must be redoubled, especially in areas where the economic and social needs are greatest if the longtime downward trend, of which we have been so proud, is to be reestablished.

7. The unprecedented increase in juvenile delinquency since 1948 makes it imperative that both the child welfare and child health resources be strengthened so that much more intensive work in all three of these children's programs can be done with parents of children of all ages from the preventive point of view in the mental health field.

I am sorry that Dr. Paul Harper, of the Johns Hopkins School of Public Health, could not appear here for the American Public Health Association as he did before the House committee hearing. In his statement there Dr. Harper gave a summary of information which he had received from State maternal and child health and crippled children's agency directors related to the needs of children in their States for more and improved child-health services. I would like to ask that that summary be inserted at this point in the record.

"STATEMENT OF THE AMERICAN PUBLIC HEALTH ASSOCIATION BY DR. PAUL A. HARPER, M. D.

"In order to obtain information as to whether or not additional funds were needed, I wrote to the maternal and child health or crippled children's directors in several States. Replies have been received from 11 of these States, all of them telling of mothers and children who needed medical care and who are not now getting such care or will not get it in the future unless additional funds are provided.

"The director of the Michigan Crippled Children's program says that increased funds are urgently needed to prevent a reduction in the number of itinerant clinics for crippled children. He also reports that lack of funds have made it necessary to leave unfilled the position of an orthopedic field nurse consultant, thus reducing services to crippled children in local communities.

"Dr. Herbert R. Kebes, director of the University of Illinois division of services for crippled children, reports a deficit of a quarter million dollars in the last fiscal biennium for hospital, medical, and appliance services that had been contracted for and carried through. This meant that the appropriation which came into being for the current fiscal period immediately had to be used to the extent of a quarter million dollars to pay for care in a previous biennium and so had diminished their current funds by that amount.

"Illinois has 5 premature centers, each of which costs $100,000 a year above what the families are able to pay. They need two more centers which would be established if funds were available. Illinois also has a dental program now on a demonstration basis for children of families who are unable to afford such care. Nearly $1 million per year is needed to put this program on a statewide basis. Additional funds are also needed for mentally retarded children.

The director of the Kentucky Crippled Children's Commission reports that they are unable to establish rheumatic fever, epilepsy, and cardiac programs because available funds are only enough for their present program. Kentucky was one of the States which early this year received a telegram saying that no more children were to be accepted during this fiscal year for cardiac surgery at the center in Minneapolis. The telegram came on the day that two young parents were ready to leave with their child. This State also needs more funds for its current programs for children with cleft palate and for those with cerebral palsy.

"In Florida's program for crippled children, increases for Federal funds have lagged far behind increases in State appropriations. Ten years ago the State of Florida appropriated approximately $2 for each $1 of Federal funds; the ratio is now 5 to 1. Despite this increase Florida is still unable to provide services for some groups of crippled children including those with epilepsy and speech and hearing defects.

"The director of the Oklahoma Commission for Crippled Children says that because of budget limitations:

"1. Some 200 eligible cases needing medical attention are now on the waiting list.

"2. Services for children with convulsive disorders are very limited.

"3. Audiometric hearing tests are given to only a fraction of the schoolchildren who need them.

"4. Additional services are urgently needed for a group of children who are completely dependent on others for care: such as children with leukemia, scleroderma, late stages of muscular dystrophy and hydrocephalus.

"Dr. C. L. Wilbur, Jr., secretary of health of Pennsylvania, writes that they have only 3 physiotherapists for over 10,000 children in their orthopedic program and only 2 social workers. They need more of these, more audiologists and other specialists.

"Pennsylvania has a good program for children with congenital amputations in the western part of the State and needs funds for a similar program in the rest of the State.

"Virginia reports that its program for the hospitalisation for medically indigent obstetric patients and infants is markedly curtailed for lack of funds.

"Dr. Jack Sabloff, director of maternal and child health and crippled children's services for Delaware writes that funds are needed for expansion of speech and hearing and for children with defects of vision, both of which are not now adequately covered. He also writes that well-child conferences are heavily overloaded and that many new conference sessions and some new conference locations are needed. They need additional public health nurses to staff these conferences.

"The Chief of the Division of Child Hygiene of the State of Ohio writes that additional funds are needed for the postgraduate training of nurses in obstetrics and in the care of premature infants. Funds are also needed for the training of audiologists and for summer workshops for teachers and nurses on problems of school health services. Ohio has a special team comprising a pediatrician and an ear, nose, and throat specialist, a psychologist, and experts on hearing and speech which has been organized for problem children with severe hearing loss. It will have to be discontinued after July 1 unless additional funds become available. Ohio also reports that it will have to greatly curtail a program which provides penicillin to prevent the recurrence of rheumatic fever in more than 2,000 patients.

"Dr. Richard J. Johnson, head of e crippled children's services in Minnesota reports that funds for their orthopedic program and for their congenital heart

surgery programs were both exhausted early in 1958, which meant that they had to refuse many patients who urgently needed services. Minnesota also reports that they are hoping to start additional treatment for children with cleft palate and harelips, including orthodontic services to straighten teeth and prosthetic devices such as plates to fill in defects in the soft palate as soon as additional funds are available."

Clearly the House Committee on Ways and Means took all the evidence presented to it by a large number of organizations and individuals when it reached the decision to recommend to the House a bill including an increase of $5 million for each of the 3 parts of title V effective in 1959. There can be no doubt that this will go a considerable way toward meeting the immediate needs of the States that have resulted from the increases in child population and toward taking up the slack in the numbers of children receiving services and care because of the increase in the cost of care. It will also make a beginning on some new programs. We want to urge this committee to approve this increase for 1959.

However, speaking for myself and for my colleagues in the maternal and child health section of the APHA who know the great number of children in need and the time it takes to develop the required services I want also to ask this committee to consider going one step farther than did the House. We would suggest adding to each of the appropriation sections in parts 1, 2, and 3 of title V of the Social Security Act language providing for additional increases to be effective in 1961 as follows:

For maternal and child-health services (pt. 1) $3.5 million more;

For crippled children's services (pt. 2) $5 million more;

For child welfare services (pt. 3) $8 million, or this latter amount might be divided between 1961 and 1963.

Under such a proposal, which is similar to the procedure used by the Congress when amending this title in 1950, appropriations beyond those authorized in the House bill could not be made until at least 1961. This proposal would allow, however, for much more flexibility in planning by the State agencies. Effective forward planning for these child-health and child-welfare programs is feasible only if the State agencies know in advance what the fiscal possibilities might be, or how much they might expect to have from Federal, State, and local sources if they show need for the funds.

Past experience has shown that as Federal funds are increased the States respond generously—many times in larger amounts than are necessary to match the Federal grants. But the programs progress more steadily, the number of children to be served can be estimated more realistically, plans for new clinics and services for crippled or handicapped children can be worked out in advance with greater certainty of success by State and local agencies, and new personnel can be selected, trained and employed with greater confidence if there are fiscal goals toward which the States can work.

To develop well a new activity under any one of these child-health or child-welfare programs may take a year or more because of the necessity to locate and train in advance the persons who will guide the new service. Clinics for children who are deaf and require hearing aids and speech training, who are epileptics, who are born with defective limbs, heart, palates, a clinic for mentally retarded preschool children where parents as well as children may be trained, a satisfactory service for the adoption of children or for the day care of children of working mothers—all these and others take most careful planning in advance. Few communities will embark on new undertakings, even if they are putting up their full share of the cost, until they know where all the necessary money will come from. They cannot even start looking for staff until funds are assured. Because of this I am proposing that the Congress help the States plan ahead for these children's services not only by accepting the increased approved by the House for 1959, but by providing the suggested additional stimulus to be effective in 1961.

Delay in planning and establishing these child-health and child-welfare activities means delay in bringing under care children who need medical or social services. Delay in bringing children under care means more handicapped children, more disturbed children, a greater and more difficult tank of rehabilitation later on. All of the services for which these funds are used are in essence preventive services. A relatively small amount of money spent through them means much less ultimately for relief and rehabilitation.

The CHAIRMAN. Our next witness is Mr. J. Howell, Turner, director of the employee relations of the Standard Oil Company of Indiana. Mr. Turner, will you have a seat and proceed with your statement?

STATEMENT OF J. HOWELL TURNER, DIRECTOR, EMPLOYEE RELATIONS, STANDARD OIL CO. (INDIANA)

Mr. TURNER. My name is Howell Turner. I am director of employee relations for the Standard Oil Co. (Indiana), with headquarters in Chicago.

So there can be no misunderstanding, I want to admit at the outset that I am not an expert on the many technicalities of social security. I am not competent to speak, for example, about the complex details of all the calculations that lie behind the language of the pending bill.

The House committee report on H. R. 13549, I have noted, says "it is estimated"—and I think that word deserves emphasis: it is estimated—"that the actuarial deficit in the program now amounts to 0.57 percent of payroll." With the proposed changes, according to the report, the deficit will be only 0.25 percent.

I can't pretend that I understand these figures fuly.

What concerns me, though, is that I can find no clear indication that everyone who voted for this measure in the House understood the calculations either.

This is not surprising in view of the fact that no hard, searching study of the social security setup in its present context is yet available. I can enter no criticism of the Congressmen for a failure under such circumstances to have at their fingertips all the intricate detail involved. But I can and do question the wisdom of acting in the absence of the necessary knowledge.

I know that the Congress in 1956 voted the establishment of a Special Advisory Council to look into the financial structure of social security. That was a promising move. From this study, it seemed that the Nation was to get current, solid, objective data as a basis for future adjustments in social security. But that Advisory Council has not reported as yet. It will not report until the end of the year. And yet if H. R. 13549 passes the Congress, we will get a patchwork job that at this point might run contrary to the results of the Advisory Council's study. Until this Council has reported, how can anyone say with certainty what, if anything, should be done about fund financing?

In all the House debate on this measure, I find few signs of any concern about the weight of the new tax burdens that the proposed changes would impose on employer and employees alike. I respectfully submit that particularly now, when we are still struggling with the effects of recession, that subject deserves understanding consideration.

It sounds innocuous when you say that the increase in tax per employee would range from only $25.50 a year at a low to $79.50 a year at a high. And yet if you begin to calculate what the increase will mean over the next 12 years for even a small firm, the matter takes on a different aspect.

Consider, for instance, a firm that employs just 100 persons who are making $4,800 a year or more. Over the next 12 years, through 1970, the proposed increase would cost the employer $55,200.

If the firm employs 1,000 workers in this bracket—and that would still be a meidum-sized operation—the increase would be $552,000.

For a firm with 5,000 employees in the range from $4,800 a year up, the 12-year cost would be $2,760,000.

These are anything but insignificant sums to be loaded onto already high costs of doing business.

Lest there be any thought that I am trying to conceal self-interest here, I can give you the calculation of cost for Standard Oil itself. In our consolidated company, including all the affiliates, we employ some 48,000 people. For us, then, the 12-year addition to our gross cost of doing business would be in the unfriendly neighborhood of $25 million.

Yet I can honestly say to you that, in this regard, I am at least as much concerned about the future of smaller firms as I am about Standard's future.

There are marginal operators in our industry and all other industries. These are men and companies that are just managing to hold on in the present circumstances, sustained largely by the hope of future growth. And I ask in all seriousness how such men and companies can be expected to take on this new burden.

It's altogether too easy to say, as many do, that the boost in social-security taxes won't be a burden on business at all—the companies will simply pass on the cost to the buying public. The statement sounds plausible enough, but it won't stand close scrutiny.

To the extent that the companies can and do pass on the cost, as a matter of fact, the so-called adjustments in social security are self-defeating. Congress increases the benefits, allegedly in order to compensate for inflation. Then it raises the taxes in order to pay for the increased benefits. Thereby it creates new inflation that cancels out the benefits it granted in the first place.

The truth of the matter is, however, that not all companies can in all instances pass on these added costs. We've had ample proof over the past 10 months or more that buyer reluctance to pay higher prices can be a very real and a very damaging thing. It is more than just possible; it is on the face of it probable that many companies will find it beyond their ability to recover this added cost. And yet just that addition may mean the difference between survival or failure for those companies.

Short of that, many companies that otherwise might be expected to set up or expand their own pension plans will be highly reluctant to commit themselves to such moves in face of the new evidence that Congress seems bent on repeated biannual rounds of social-security increases. As a result, the employees who work for those companies will be forced to rely for their future welfare on a Government plan that was never intended to be more than minimal.

Congress will be ill-advised, in my opinion, to underestimate the unease that any employer must feel when he contemplates the record on social security. Time and again now Congress has voted to raise and broaden the benefits to be provided under the plan. Much of such action may well have been wise. I do not debate that. But with the nearness of a sound report on the financial aspects of the social-security fund, it would seem completely premature to act at this time to increase the tax rate and the taxable base.

Neither my company corporately, nor I personally, has any objection to social security as such. Quite the contrary. We welcome the concept. In fact, we have structured our own retirement plan at Standard around social security as a core.

We know that private pension plans, praiseworthy though they are, can't protect everyone. At least they don't at present. As a result, it is imperative that we provide through social security a floor of protection for all.

Does it necessarily follow, though, that the Government plan must be allowed to swell larger at 2-year intervals, taking over bigger and bigger bites from the income of workers and employers? I just can't believe it.

Each new increased deduction whittles away the income that workers and employers should have the right to dispose of as they will.

Each new increased deduction is a tighter restriction on individual freedom.

It seems to me to be foolishly reckless, then, to rush into a new enlargement of social security in the absence of thorough, impartial study to document the need for it. But precisely this is what is proposed in H. R. 13549. I would even suggest that Congress now ask that Advisory Council to also consider the benefit structure and make recommendations on this front as well. Armed with such data, the Congress would find itself in a position to take wise and considered action. Lacking such information can only mean that decisions vital to our economy will have to be made in the absence of the best available information.

For all practical purposes, the action that is here proposed is irreversible. No one can possibly believe that benefits now increased would be lowered by a future Congress or that taxes now increased would be later adjusted downward. If the benefits and the taxes go up, they will stay up. This is obvious political realism.

At best the proposed boost in social-security taxes may inhibit the desirable growth of private pension plans. At worst it may well drive some smaller, marginal firms to the wall of failure and may well vitiate the work of the very Council the Congress established to help it in this complex field.

On that basis I earnestly urge that this bill be defeated and that any action on social-security be deferred until Congress has at least had the benefit of the Advisory Council's report.

The CHAIRMAN. Thank you very much, Mr. Turner. The committee appreciates your testimony.

The next witness is Mr. A. D. Marshall who is representing the United States Chamber of Commerce.

Please proceed Mr. Marshall.

STATEMENT OF A. D. MARSHALL, REPRESENTING UNITED STATES CHAMBER OF COMMERCE, ACCOMPANIED BY KARL SCHLOTTERBECK, SECRETARY, COMMITTEE ON ECONOMIC SECURITY

Mr. MARSHALL. Mr. Chairman and Senators, my name is A. D. Marshall, and I am a vice president of General Dynamics Corp.

However, today I appear on behalf of the chamber of commerce of the United States as a member of its board of directors and chairman of its economic security committee.

With your permission, I would like to introduce to you the other member of the committee: Mr. Schlotterbeck of the chamber's staff on this subject of this committee.

You have before you the printed testimony and I would like to ask it be included in the record and that I be permitted to summarize my statement this morning.

Senator KERR. That may be done.

Mr. MARSHALL. Thank you, gentlemen.

The national chamber has supported the basic principles of Federal Old-Age and Survivors Insurance benefits, commonly known as social security.

Now one of these principles holds that social security should provide a floor of protection against destitution in old age. Benefits above this floor should be provided by the individual according to his needs and resources. We would like to suggest that attempts to stretch the program into a mechanism for total security, however, will rob the individual of the necessity—the incentive—to build additional old-age income protection through his own efforts. Such attempts also will reduce the opportunity for the individual to fashion his own security program to suit his own needs and tastes.

In saying this, however, we recognize that periodic reviews must be made of the adequacy of this floor of protection. In these reviews however, it must be kept in mind that, while costs of living have increased, wage levels have been rising too, in fact almost twice as fast as the cost of living. And thus the ability of employees to build their own old-age income has been improving. Also the ultimate amount of social security benefits on retiring has been increasing because of the formula.

Social security, we all know, fills a humanitarian need, but its real justification as a Federal compulsory program is that it serves the national interest.

You will all recognize that, similarly, compulsory education was established in the public interest to protect the body politic from bad judgments of illiteracy.

In a like manner it can be said that the basic purpose of compulsory social security is to protect society from the political consequences of possibly leaving large numbers of elderly persons with such meager means of support as to constitute a social problem for the Nation.

Congress created this new and unique social program to be especially suited to the peculiarities of American life and its dynamic economy.

It is not surprising that some of the basic principles of the program were not crystallized at the outset. For example, it was not until 1950 that Congress concluded that this program of cash benefits paid as a matter of right should be self-sustaining and the costs should henceforth be wholly financed by equal taxes on employers, employees, on the self-employed, and the interest on the trust fund.

With this and other fundamental features of social security the national chamber of commerce is wholly in accord.

But I submit to you gentlemen that if the purpose of social security is to provide a floor of proptection, then constant efforts to expand it piecemeal in all directions are suspect.

Patchwork election year expansions are unfair to the employees and the employers who pay the social security taxes and to the beneficiaries alike and may endanger the program itself.

Federal old-age and survivors benefits is an extremely complex program. The various provisions in this law are so interrelated that virtually any change affects costs and financing.

The bill in front of you involves a change in the financial support for social security. This change calls for an increase in the social tax rate, an increase in the taxable wage base, and an acceleration of the scheduled tax increases in the present law.

You will recall that in 1956 the Congress established a new Advisory Council on Social Security Financing to report by the end of this year. Should not any changes affecting costs and financing be postponed until after this Advisory Council has submitted its report?

Also, I would like to submit that a social tax increase in 1959 would not be propitious from the standpoint of the overall economic recovery we all hope for.

Business is now making strenuous efforts to cut its costs wherever possible in order to hold the line on prices and thus stimulate business recovery.

A statement by President Eisenhower in a May 20 address is pertinent. He said:

> Let me suggest a few ideas that I would like to nominate for oblivion: The idea that management can be lax about costs without pricing its products not only out of foreign markets but out of the American market as well.

We strongly recommend that no social security changes involving tax cost increases be made until the Advisory Council submits its report, and until it is clear that we are well on the way to business recovery.

We believe such a postponement would be prudent and constructive.

However, both the Ways and Means Committee and the House of Representatives are to be congratulated for their concern for the actuarial deficiency, the present actuarial deficiency, in this program.

We believe at the present time if the facts are carefully examined you won't find much of a basis for a benefit increase when viewed against the past record of benefit increases and the cost of living. Since 1939 Congress has increased benefits for those on the rolls three times, in 1950, in 1952, and in 1954.

During this period the cost of living—from 1939 through June of this year—has risen by 108 percent.

However, since 1939, Congress has increased benefits by 134 percent. If the 7 percent increase in this bill should also be approved, it would mean benefit increases over the years of 148 percent.

There is another major argument, it seems to us, against the flat increase proposed. If some increase is necessary to preserve social security as a floor protection, a flat benefit increase across the board will not do the job satisfactorily for many of the aged, the very old beneficiaries under the program.

At the end of 1956 there were about 6.6 million aged primary beneficiaries who were getting benefits under the program and 2.2 millions of these, one-third of them, received benefits of less than $50 a month.

These relatively small social-security benefits are due to three major factors:

First, a low earning capacity of those individuals while they were working; second, a low average earnings record because many of them

had intermittent employment or were partly in covered employment and partly out of it; and third, many of them are receiving a small benefit because they are a dependent spouse or widow and not a primary beneficiary.

Now the vast majority of these 2.2 millions receiving benefits of less than $50 retired during the 1940's and early 1950's These people of advanced age did not have the opportunity of working during the past 10 years or so when wages have been high.

In consequence, under the present law they are not eligible for the larger benefits, nor did they have the opportunity because of their lower pay to put aside much through their own efforts toward their old age.

We believe that, if some benefit adjustment is necessary to preserve the floor of protection, greater consideration should be given these people of advanced age who retired a number of years ago and who are on the lower part of the benefit schedule.

This bill also contains numerous special and technical provisions which merit very careful scrutiny.

For example, in the field of disability the bill provides three things: First, that benefits be paid to dependents of disabled beneficiaries; second, it raises the maximum monthly benefits to a disabled beneficiary and his family to $254; and third, it eliminates the present offsets for other types of public disability benefits against social-security disability benefits.

Now with these 3 changes if you carefully examine specific cases you will find it is perfectly possible for a disabled beneficiary who while he was well and working, who earned $3,700, to get as much as $3,000 in disability benefits under social security.

With such benefits usually tax free, this disabled worker and his family would receive as much in tax-free income as he originally had in take-home pay when he was working. There will also be situations in the future where the amount of tax-free disability income will be greatly in excess of take-home pay to which these families had previously been accustomed.

Now, I will submit that this will develop even more rapidly because, as you gentlemen well know, increases in benefits under such programs as workmen's compensation, Federal employees compensation and veterans non-service-connected disability benefits are usually considered separately. When those separate programs are under consideration, and changes are made on the basis of the facts in each program, and when you eliminate overlapping between the program as this bill would do, then you compound the duplication in benefits between these different disability programs.

Now experience has shown, and you had testimony before this group in 1956, that high monthly cash benefits for disability can act as a strong deterrent to successful rehabilitation. We, of the chamber, have always felt that rehabilitation should be the primary objective of any program in this area.

We do not believe there is any real social justification or equity in paying disability benefits to 1 person from 2 or more public programs where the payments are based on 1 condition of disability.

Moreover, we do not see any merit in paying public disability

benefits—tax-free benefits—that may be equal to or even greater than an individual's usual take-home pay when well and working.

There is one other factor that I think should be carefully considered here. I admit it is a hypothetical one but I am pretty sure it is one you gentlemen can see the trend in. Establishment of benefits to dependents of disabled beneficiaries will provide a strong argument for lowering or eliminating the present age requirement of 50 for disability benefits.

It will be contended that most of those permanently and totally disabled, with young beneficiaries, with children, are under age 50. Therefore in order to get the full effect of this program for those people, the age limit for disability benefits will have to be less than 50.

We have another example of the need for careful examination of the miscellaneous provisions of the bill in the new formula for Federal grants for public assistance and here we tried to examine what is apparently the intent of the Ways and Means Committee and what the actual results of this provision would be.

Apparently the intent was to provide additional Federal funds to enable the States to pay more to those already on the rolls, and the committee report is evidence of that.

The report said that the committee had considered the possibility of language in the bill requiring the States to use the funds under the bill for additional assistance or for the money to revert to the Federal Treasury.

But the committee had not been able to find such a provision that would operate equitably.

I would like to submit to you gentlemen that the formula in the bill will not assure that all the additional funds will be passed along to those on the assistance rolls. Experience since the 1956 increase in Federal support shows that many of the States did not pass along all the additional Federal money.

We would like to call your attention to the purpose of the variable grant proposal now and how it would actually operate.

According to the Ways and Means Committee report the formula recognizes the limited fiscal capacity of lower income States. The inference is that those States which rank relatively low in terms of per capita income and hence presumably in fiscal capacity or in taxing capacity will in consequence rank low in terms of average assistance payments.

I have a table here at the bottom of page 13 in my testimony that shows that this is reasonably true for a few States.

For example, in this table, Wisconsin ranks 18th in per capita income and 12th in the average OAA payment.

Arizona was 25th in per capita income and 27th in average old-age assistance payments.

However, let's look at the data from many other States and those data, the table on page 14, show no such correlation at all.

The figures show that Delaware, for example, ranked 1st in per capita income but 36th in average per capita assistance payments.

Senator DOUGLAS. Delaware's high average is tilted up by the extremely high incomes of a few individuals.

Mr. MARSHALL. It would take a large number of individuals, would it not, Senator, to tilt the average for a State?

Senator LONG. Let me ask you, aren't there a considerable number of corporations in Delaware which report their income in Delaware?

Mr. MARSHALL. I don't think, Senator, that the high per capita income for Delaware results from the large number of business incorporated in that State.

For example, our own corporation is incorporated in Delaware but our income is not reported as income there.

Senator LONG. One other point there that is relevant.

Delaware has a high degree of industrialization with the result that a very high percentage of their people are covered by social security and that tends to decrease the need for public welfare in a highly industrialized State, does it not?

Mr. MARSHALL. I think that is true although you will notice here that New York State ranks second in average old-age assistance payments, so that New York, where I come from, is a reasonably high industrialized State but it is still high in its old-age assistance program.

Senator KERR. New York State is highly industrialized or New York City, Syracuse, and Schenectady.

Mr. MARSHALL. Now, Louisiana, on the other hand, was 37th in per capita income but 17th in OAA payments; and North Dakota was 40th in per capita income and 5th in OAA payments.

What I am trying to show here is obviously the per capital income is not any measure of the fiscal capacity of the State to provide old-age assistance. There are a great many other factors such as the willingness of the taxpayers to be taxed for these things and so forth that are important.

There is one other point here that I think should be mentioned about this variable grant formula indicating that I do not believe it will accomplish what is apparently intended.

I went into this exactly how this formula will work last night and I really cannot explain it to you gentlemen again today. But as a matter of fact as a result of a statistical gimmick used, the formula does not increase the funds at all for 15 States, and for 6 others, it increases the funds less than 10 percent.

If you look at the table in the middle of page 15 you will see how that works out. For 13 States, it gives them the maximum of 70 percent, and for 21 States there is very little or almost no increase, and for the rest of it there it is not a gradual allocation——

Senator LONG. But in all those States in general it would reflect an increase in funds by the so-called averaging process, would it not?

There is, in other words, something for the high payment States and something for the low payment States in this bill?

Mr. MARSHALL. Yes, I think you are right about that.

Senator LONG. The low-payment State does not gain anything by the averaging process, but on the other hand, it does gain something by the higher matching in the brackets just above the first $30.

Mr. MARSHALL. Just above the first $30. But my understanding is that the 80 percent of the first $30 remains as it now is. The present law says that the Federal Government will put up 50 percent of the next $30. This proposed formula provides that no State will get less than 50 percent but a State may get up to 70 percent of the next $36. This formula is a peculiar thing because it is not a ratio of

State per capita income to the national per capita income but is a ratio of the square of the State per capita income to the square of the national per capita income.

You can see what this does. This formula, instead of providing a gradual increase as per capita income decreases, it lumps all of the States either at the bottom or at the top of this formula. They all either get the full 70 percent, most of them do, or they get little if anything more out of the formula.

I do not know why it was put in there. It is a peculiar thing to me. Maybe there is some good explanation, but I think it really deserves a lot of consideration on the part of the committee.

It seems to me that a brief analysis of this variable grant proposal, applied to old-age assistance data, indicates, first, that State per capita income data are not a reliable measure of the fiscal capacity of the States in providing State and local funds for public assistance.

Second, there are other factors which usually explain the level of assistance payments.

Third, the specific formula provided in the bill does not result in a reasonable distribution of the various States between the 50-percent floor and the 70-percent ceiling. And, fourth, this formula would extend Federal tax money to the various States irrespective of the relative average assistance payments.

Our recommendations are first——

Senator KERR. May I ask you a question there?

Mr. MARSHALL. Yes; I am sorry.

Senator KERR. Is your position one that you favor an increase but on a different formula?

Mr. MARSHALL. Well, our position at the moment is that because the system is actuarially deficient at the present time——

Senator KERR. You mean the public assistance program?

Mr. MARSHALL. In public assistance, no.

Senator KERR. You are talking about public assistance now, are you not?

Mr. MARSHALL. No; we do not favor an increase in public assistance at this time. The chamber's basic position is that public assistance is basically a concern of the States, sir.

Senator KERR. In other words, then, you are arguing about the formula is basically to support your formula for an increase, is it not?

Mr. MARSHALL. My argument about the formula is based on my feeling that if there is to be an increase, and I do not think there should be one, then I would take a very careful look at this peculiar statistical gimmick.

Senator LONG. If I may say it, the Secretary of Health, Education, and Welfare, came up here and said, "I am against any public assistance, but if you do it this is how you do it."

You are up here saying you are against it, but this is not how to do it.

Mr. MARSHALL. Yes.

Senator KERR. I want to tell you the committee has an abundance of recommendations from those who are against any increase. That is all right. You may proceed.

Mr. MARSHALL. I assumed that.

Mr. Chairman, we would like to give our recommendations and conclusions: First, that sound financing of social security is of the utmost importance, not only to the present beneficiaries but to the millions of workers who are paying the bill today and expect to get something out of it in the future.

Second, the proposed tax increase next year is illtimed in view of the current efforts of business to hold down costs and prices, and that the proposed taxes on workers come at a most inopportune time because they too are faced with higher costs and with heavier State and local taxes.

We have very grave doubts of the merits of a proposed flat 7-percent increase in benefits. We do not believe the need for that is borne out by the facts we have been able to develop.

We also believe the proposed changes in disability provisions would have far-reaching implications resulting in abuse.

The proposed variable formula for Federal grants-in-aid for public assistance would not accomplish its objectives, and we are basically against increases in the public-assistance program anyway.

We would like to recommend that a new advisory council be created, not to examine the financial provisions of the bill, but to examine these various miscellaneous provisions including those I have just mentioned.

Finally, I would like personally to respectfully suggest that for a program which so closely touches the lives of every citizen, and one which we all hope will do so wisely for many years to come, that the Congress should now resolve to make no changes in such a program in an election year. Instead changes would be made after careful examination by experts both within and without Congress. Amendments then be made only in those sessions when Members of Congress do not have upon them the pressures of imminent political campaigns.

That concludes my statement, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Marshall.

You have made a thoughtful statement.

I have been on this committee for 25 years and the question has frequently come up as to whether this is a sound program or not fiscally.

My judgment is that it is sound only providing that you continue the taxes, which I think you said have been increased by—I was away for part of your presentation—134 percent?

Mr. MARSHALL. The benefits have been increased 134 percent since 1939.

The CHAIRMAN. What has been the increase in taxes?

Mr. MARSHALL. I have not the figures here on the increase in taxes during that period but I know they have been increased so that the program is very nearly on an actuarially sound basis at the present time. There is a small actuarial deficiency.

The CHAIRMAN. I wish you would follow up your percentage of benefits increase with percentage of tax increase for the record.

Mr. MARSHALL. We will do so and submit it.

(The information follows:)

Growth in OASI benefits, beneficiaries, taxes, and covered taxpaying workers, 1940–70

	1940	1970	Percent increase
Maximum social-security tax paid by an employee	$30.00	[1] $394	869
Maximum primary benefit	$41.30	[1] $195	203
Social-security taxpayers	35,400,000	[2] 87,000,000	145
Total beneficiaries	255,000	[2] 17,900,000	7,000

[1] As provided in H. R. 13549.
[2] Estimated.

NOTE.—The data exclude the disability portion of the program.
Source: Data from the Social Security Administration.

The CHAIRMAN. At the present rate of taxes.

Mr. MARSHALL. I beg your pardon?

The CHAIRMAN. At the present rate of taxes, and the present rate of interest.

Mr. MARSHALL. There is a small acturial deficiency at the present time which should be met by a small increase in the tax rate.

The CHAIRMAN. I am speaking of the future.

Is this a sound program financially at the present rate of taxes and the present rate of benefits?

Mr. MARSHALL. My impression is and Mr. Schlotterbeck can correct me if I am wrong in this, is that the accelerated tax schedule in the present bill, if that was put into effect without any of the benefit increases would eliminate, substantially eliminate, the acturial deficiency.

I am wrong, it would not. It would take a half percent increase in the tax rate to eliminate the acturial deficiency.

The CHAIRMAN. Do you mean in addition to what they propose in the present bill?

Mr. SCHLOTTERBECK. Not in addition, it would take about a half percent increase in the tax rate on the present wage base to just about eliminate the deficiency.

Senator KERR. He means if you were not going to provide any increase in benefits.

Mr. MARSHALL. No change in benefits.

Mr. SCHLOTTERBECK. No.

The CHAIRMAN. The program looking into the future it seems to me is only sound providing you continue to increase taxes to meet increased benefits.

Mr. MARSHALL. That is correct.

The CHAIRMAN. In your judgment, at what point would this payroll tax become destructive.

Mr. MARSHALL. I think you have got to examine this thing, look at the record in front of you with the Railroad Retirement Act now which is really running a deficit because both the workers and I do not know about the employers in the industry, are saying the tax rate is too high now, and we are willing to let it run an acturial deficiency or at least they have come up with no proposal for increased taxes.

The rate is six and a quarter on each. You run into that range. You will get pretty close to that in social security, sir.

Now to illustrate what that means, this present increase in taxes means each worker who gets $4,800 and there are not too many of them today who get much less than that will pay an increased tax next year of $25.50.

We have just figured it out for our own employees.

Now at $2 an hour, $80 a week, with a take-home pay of somewhat less than that because of taxes what you are doing is taking away about half a week's take home pay from him with the proposed increase going into effect in 1959, not the one that is proposed for 1969.

It is a substantial burden.

The CHAIRMAN. The progressive increases necessary in order to pay those that will come of retirement age?

Mr. MARSHALL. Yes.

The CHAIRMAN. If additional benefits are added of course you must raise the taxes to pay for that?

Mr. MARSHALL. That is correct, sir.

The CHAIRMAN. So to continue to increase the taxes above a certain amount seems to be a dangerous proposition. I agree that industry can stand a certain amount and so can the individual but when you get up to large figures like what is it, 12 percent——

Mr. MARSHALL. Twelve and a half percent railroad retirement and which is not enough to finance their benefit schedule.

The CHAIRMAN. You are getting into a danger zone there.

Take an industry that must pay its 6 percent, even an individual, and I think the self-employed people are the ones who probably would be hurt worst by this program.

Mr. MARSHALL. They pay a higher rate of course than the employed people do. But I think we have to consider the fact that this rate on the employee and on the employer is really a burden on the cost of goods. Without a doubt as you gentlemen know, even though the employee originally starts off paying the increased tax, that ultimately he comes in and says "Look, I cannot live on this take home pay check I am getting, I need an increase in pay"—and he bargains for an increase in pay.

The CHAIRMAN. Do you think this bill, including the entire amount, is inflationary?

Mr. MARSHALL. I think without a doubt it has inflationary tendencies in it. The bill for our own corporation is over two million dollars for our own corporation.

The CHAIRMAN. Including public assistance, you think it is inflationary?

Mr. MARSHALL. That is right.

The CHAIRMAN. Are these any further questions?

Senator KERR. Yes, I want to ask a question.

In your statement you say:

> The proposed added tax costs on workers likewise would come at a most inopportune time. They, too, are faced with higher costs and with heavier State and local taxes.

Does that situation apply with equal impact on those who are on social security?

Mr. MARSHALL. The people who are receiving social security benefits?

Senator KERR. Yes.

Mr. MARSHALL. Yes, I think that does.

Senator KERR. Are they faced with higher costs at this time?

Mr. MARSHALL. I think you will find if you refer to Secretary Folsom's testimony before the House Ways and Means Committee, that the operation of the present formula in the social security bill is such that most of those who are presently retired are receiving substantially higher benefits than those who retired a few years in the past.

Senator KERR. You made that point quite clear in your statement.

Mr. MARSHALL. So that actually——

Senator KERR. I just wondered if this business of being faced with the higher cost was a situation limited to those who were employed.

Mr. MARSHALL. It is not.

Senator KERR. It costs just as much for a man for food and clothing who is unemployed and social security as if he was employed?

Mr. MARSHALL. That is correct, Senator, that is why I put in a special plea for those retired some years ago and are receiving lower benefits.

Senator KERR. Are you favoring an increased benefit to them?

Mr. MARSHALL. I think I would.

Senator KERR. You think you would, are you sure you would?

Mr. MARSHALL. Yes, I would say for that group of people you should have an increase in benefits.

Senator KERR. How would you finance it?

Mr. MARSHALL. Well, it would have to be financed by an increase in taxes.

Senator KERR. Would that be any less inflationary than under this bill?

Mr. MARSHALL. Yes, it would, for this reason, sir.

If you provide a change in the benefit formula that goes on forever, you have got to face an increasing tax rate that goes on forever.

If you provided, for example, for an increase in benefits for every recipient of social security who retired before 1950, those costs could be met by a fixed sum of money, because those people will have passed on within 15 years or 20 years, so that is a definitely determinable fixed amount.

Senator KERR. So you think the 20 years in which they are dying off their increased purchasing power will not be inflationary beyond the time they would be dead?

Mr. MARSHALL. It would have some inflationary effect but it would not extend much beyond that, beyond the death.

Senator KERR. Well, now, are you serious in saying you would favor an increase in the tax on those now working and who will be working for the next 20 years to pay an increased benefit to people who are making no contribution to it and who have not since 1952?

Mr. MARSHALL. Now, before——

Senator KERR. You said you thought you would?

Mr. MARSHALL. Before I answer that question, I would like to submit that most of the people on the social-security rolls today have not made any contribution to the pension that they are receiving at the present time, because they have used up the entire contribution they made to the program in the first year and a half after they went

on the roll so anybody who has been on the roll 2 years or longer, it is the present generation of workers are paying his benefits in any event.

Senator KERR. I really asked you a very simple question.

Mr. MARSHALL. Whether I favor increased taxes?

Senator KERR. I asked you if you would favor an increase in benefits to those on the rolls who have not worked since 1952 to be paid for out of additional contributions by those working and their employers.

Mr. MARSHALL. I would do it in a different mechanism, Senator, than through this thing. Because this is a permanent program. I would submit that those people who retired before 1950, and who are getting small benefits, you are probably helping through the old-age assistance program at the present time. And I do not think you want to help everybody through two different programs.

I think I testified in 1956 before this committee in favor of a program of gradually getting the Federal Government out of the old-age assistance area by providing that States should not count in their formula for old-age assistance beginning at some future date those who are receiving more than, we would say, $50 or $60 a month in old-age and survivors insurance.

That would not cut the grant to any State immediately, but would simply say if the Federal Government is providing at least $50, $60, or $70 a month from its old-age and survivors insurance program to this aged person in your State, you cannot also ask for an assistance Federal grant.

Your State ought to be ready to take care of the difference itself and that is how I would take care of these people who are aged.

Senator KERR. You would do that though by an additional tax on present workers and their employers?

Mr. MARSHALL. If that was necessary, but you see that tax would be very short-lived, Senator.

Senator KERR. Twenty years?

Mr. MARSHALL. No; 10 or 15 at the most, maybe less than that.

Senator KERR. Well, now, Mr. Marshall, I cannot believe that you would be serious either.

Mr. MARSHALL. I would cut them out of the old-age assistance grants if I did that. Sure that is my proposal. The Federal Government ought to take care of the aged people of the States 1 way, not 3 or 4.

Senator KERR. Then you would shift the burden of assistance to the aged from the general taxpayer to the present-day employed and employer?

Mr. MARSHALL. Well, yes, it is a little hard to distinguish in my mind between the general taxpayer and the employer and employee.

Senator KERR. Do you think that might be class legislation?

Mr. MARSHALL. No, because I think they are both the same groups.

Senator KERR. I would not suppose that it would be other than class legislation if you imposed a tax unless you made it on everybody.

Mr. MARSHALL. Let me—well, of course my basic answer to that is that you have already done that in this social security bill.

Senator KERR. You think that when you get the workers and the employers you have everybody?

Mr. MARSHALL. And the self-employed.

Senator KERR. Well, now, we have millions of people producing income in this country who are neither in the category of employers nor employees.

Mr. MARSHALL. Self-employed are taxed too under the social security.

Senator KERR. Not all of them.

Mr. MARSHALL. All except the doctors.

Senator KERR. Would you want to pass a law taxing everybody but the doctors?

Mr. MARSHALL. No, I do not want to do that. The doctors do not want to be taxed.

Senator KERR. I know but you are talking about that in just what you recommended.

Mr. MARSHALL. No, I am only recommending that you continue the same process you already have.

Senator KERR. We do not have that process now.

Mr. MARSHALL. Well, maybe my understanding of the social security tax law is wrong then.

Senator KERR. The only benefits payable are those specified under the law.

Mr. MARSHALL. I thought we were talking about the taxes, the social security taxes.

Senator KERR. The only taxes paid are those specified in the law.

Mr. MARSHALL. Yes.

Senator KERR. But you are talking now about increasing that tax.

Mr. MARSHALL. Yes, for the same group of people.

Senator KERR. But applying the benefits to only a limited group?

Mr. MARSHALL. Well, no—wait a minute.

Senator KERR. You said you would increase the taxes on the present group of employers and employees to pay additional benefits to those who retired prior to 1952 but not subsequent to 1952?

Mr. MARSHALL. Well, I did not pick any particular date. You can have any particular date you want. But I think every time the Congress has increased the benefits they have done the same thing.

Senator MALONE. It is a little hard to understand the witness.

Senator KERR. It is not hard for me to understand if you go back to page 2 you will get his basic philosophy.

Mr. MARSHALL. I think every time the Congress has increased benefits to recipients of old-age and survivors insurance they have, in effect, taxed the present workers to provide benefits to people—and have taken that money and given it to the present pensioners.

I mean it is not difficult, it seems to me, that is the whole basic principle of the present social security law. It is on a pay-as-you-go basis, the present generation of workers are taxed to provide benefits for the present generation of aged, and the only question is keeping the tax income and the benefit outgo in balance.

Senator KERR. On page 2, I would like to refer to the last paragraph, please. [Reading:]

In like manner it can be said the basic purpose of compulsory social security is to protect society from the political consequences of possibly leaving large numbers of elderly persons with such meager means of support as to constitute a social problem for the Nation.

I take it that that would have to be interpreted, that you think the only basis for compulsory social security is to provide that minimum of benefit to this group of people that would enable them to be isolated from the American way of life and to insulate the rest of the people from the situation created by the need and want of those thus situated.

Mr. MARSHALL. No, that is not my point, Senator.

Senator KERR. Well, you say it is to protect society.

I had always thought that social security was to protect the retired worker.

Mr. MARSHALL. Well, now let me submit this proposition to you, Senator.

Senator KERR. Is that——

Mr. MARSHALL. No, that is not my proposition.

My proposition is this: If I was the only retired worker in want I do not think I ought to be up here testifying before the Congress and you would not be interested in me.

Senator KERR. You would be surprised in whom we would be interested in. [Laughter.]

Mr. MARSHALL. It is only because of millions of retired workers who might be——

Senator KERR. We would be as nearly interested if you were a retired worker; we might be as nearly interested in you in that category, as in your present category.

Mr. MARSHALL. I think my neighbors ought to take care of me, if I am the only one in the country.

Senator KERR. You say here the basic purpose of compulsory social security is to protect society?

Mr. MARSHALL. Yes. Would you like to have me read the rest of that paragraph?

Senator KERR. Well——

Mr. MARSHALL. I will be glad to do that. I think that explains it.

Senator KERR. You address it to a limited protection, to protect society from the political consequences of, possibly, leaving large numbers of elderly persons with such meager means of support as to constitute a social problem for the Nation. In other words, as I understand that, you just want to protect the Nation from an acute social problem created by people in want. That is the only way I can read that.

Mr. MARSHALL. I will go on and read the rest of it.

Senator KERR. Let's address ourselves to what I have just read.

Mr. MARSHALL. That is what the rest of the paragraph addresses itself to.

Senator KERR. You mean you make a statement which, of itself, is not understandable, but which has to be explained by the paragraph in which it is in context?

Mr. MARSHALL. I do not know, but I used to read Macaulay, and, as I understand it, Macaulay always started every paragraph with a topic sentence and then, after that, he put in the explanatory information with respect to that topic sentence.

I have not read him in a great many years now, but I think that is the way this testimony was constructed, and I would be delighted to try to explain it by reading the rest of the paragraph.

Senator KERR. By a disciple of Macaulay, and not a vice president of the chamber of commerce. I want to admit that my education in the Macaulay method of producing and writing literature is limited, and it might be that you can make a contribution to it. [Laughter.]

I am not right sure that the next sentence helps you any. I do not know about Macaulay, but I want to tell you, Kerr feels that the next sentence is just about as badly in need of an explanation as the one I just read.

Mr. MARSHALL. How about the third one?

Senator KERR. Let's leave the next one. [Reads:]

If our worthy, experienced, and resourceful growing older population were left adrift in today's economic tides, we could expect them to take a kind of concerted action which could lead to political, social, and economic instability. In fact, the program was initiated to deal with the future problem of people no longer able to support themselves by working because of old age and, thus, possibly being in need.

In other words, they might start a revolution, is what you said. [Laughter.] And you want to fix enough of a palliative here to where you can prevent that?

Mr. MARSHALL. I think that in a rural civilization, Senator——

Senator KERR. You are talking about history now. Benson has eliminated that. I want to say to you that this administration has eliminated the rural civilization upon which this Nation was built.

Mr. MARSHALL. We now have an industrial civilization and a nation of wage earners and, therefore, we need a kind of social program for our aged that we did not need when we had a rural civilization.

Senator KERR. But you say here now, I am glad—I was so shocked when I read this first sentence that I did not follow you through on that next sentence.

Mr. MARSHALL. How about the third one?

Senator KERR. Let's see if we understand this.

If our worthy, experienced, and resourceful growing older population were left adrift in today's economic tides, we could expect them to take a kind of concerted action which could lead to political, social, and economic instability.

It looks to me like you are saying there we ought to do enough to keep them from starting a revolution. How would you explain that, otherwise?

Mr. MARSHALL. I would go on and say, in fact, the program was initiated to deal with the future problem of people no longer able to support themselves by working because of old age and, thus, possibly being in need. In other words, economic wants, the economic needs, the basic economic needs of the older people; that is what we are trying to take care of in this program.

Senator KERR. You think that possibility you describe there is acute or remote?

Mr. MARSHALL. I think it is remote.

Senator KERR. You think it is remote that people no longer are able——

Mr. MARSHALL. I think, if you look back upon history, it might become acute.

Senator KERR. You think, then, people no longer able to support themselves are not likely to be in need?

Mr. MARSHALL. Would you mind repeating that?

Senator KERR. Well, as I read this sentence, you say the program was initiated to deal with the future problem of people no longer able to support themselves by working because of old age.

Mr. MARSHALL. And, thus, possibly being in need.

Senator KERR. And, thus, possibly being in need?

Mr. MARSHALL. That is right.

Senator KERR. And you think that is a remote possibility?

Mr. MARSHALL. No; I understood you to ask me if I thought it was a remote possibility that the older people in this country would stir up a revolution, and I said I thought it was.

Senator KERR. You would not let me talk about that sentence; you want to go to this next one? [Laughter.] And, in that situation, you talk about the future problem of people no longer able to support themselves by working because of old age and, thus, possibly being in need?

Mr. MARSHALL. That is right.

Senator KERR. And I asked you if you thought that the possibility of people no longer able to support themselves by working because of old age possibly being in need was a remote possibility or an acute one.

Mr. MARSHALL. Well, I think, in this country, Senator, there are not too many people, older people, whose sons and daughters and so forth cannot give them some help in their old age. Now, there are 2 million to 3 million aged people who are in need who cannot support themselves.

Senator KERR. If they are not in need, why would their dependents want to support them?

Mr. MARSHALL. Well, they are in need.

Senator KERR. Then the possibility is not so remote as you thought it was?

Mr. MARSHALL. That is why we had this program, Senator.

Senator KERR. I am not talking about the program, but talking about your sentence.

Mr. MARSHALL. No; the possibility is not remote.

Senator KERR. It is an acute possibility?

Mr. MARSHALL. Yes.

Senator KERR. Isn't it, in fact, a certainty?

Mr. MARSHALL. I do not know.

Senator KERR. That people no longer able to support themselves by working—isn't it just about a definite certainty that they are in need or they will be in need?

Mr. MARSHALL. Well, I do not know, and I don't have the figures here, but Mr. Schlotterbeck has them, and I think there have been several surveys made of the resources of the aged, and those facts show that——

Senator KERR. What percentage of them do you find are capable of supporting themselves out of their accumulated resources?

Mr. MARSHALL. I cannot answer that, but I am sure——

Senator KERR. Well, you said Mr. Schlotterbeck could.

Mr. MARSHALL. We will submit some data on it.

Senator KERR. Maybe he has it now.

Mr. MARSHALL. We do not have it now, but the Bureau of Labor Statistics and other agencies have.

Senator KERR. In other words, Mr. Schlotterbeck is on the basis of what he is able to get for us and not on the basis of what he brought with him. [Laughter.]

Mr. MARSHALL. I think most of us have gaps like that.

Senator KERR. All right.

Well, now, I have one more question and I would like for you to think about it seriously before you answer it:

As I understand it you oppose the first part of this bill because it provides additional taxes to support people or help people, some of whom are not in as acute need for it as others.

And that you would support it if it provided an additional tax to increase the benefits only for those who today receive the smaller benefits as retired persons under the program.

Mr. MARSHALL. No; I do not think I would, Senator. What I think we have got to look at is the type of program.

Senator KERR. Wait a minute——

Mr. MARSHALL. I cannot talk about this thing in a vacuum.

Senator KERR. Well, what have you been doing?

Mr. MARSHALL. I have been talking about the specific proposal in front of you, Senator.

Senator KERR. But you told me in answer to a question you would favor a program that increased taxes on current employees and employers to provide additional benefits to those previously retired.

Mr. MARSHALL. Provided—and by the same mechanism—we took the Federal Government out of the old-age assistance program for those same individuals.

Senator KERR. Well, now, that is quite a proviso, is it not?

Mr. MARSHALL. No, it is not an unwise one. I think it would be a very wise provision.

Senator KERR. I am not talking about how wise or unwise it would be but it would be quite a proviso.

Mr. MARSHALL. But not a major one in terms of dollars, and it would be a tremendous saving to the Federal Government.

Senator KERR. Now the second impression I get from this and you have already verified it but to make this particular point in the record, is that while you object strenuously to the formula in the public assistance program you object just as strongly to an increase in the public assistance program?

Mr. MARSHALL. That is correct.

Senator KERR. Now the question I want to ask you is on the basis of the record and their appearance before the committee which of the enactments of the Congress providing either social security to start with or any increase in the program since its inauguration has the national chamber of commerce endorsed, the Chamber of Commerce of the United States?

Mr. MARSHALL. That requires a very careful answer, sir. I have been asked the question several times before I came here.

Senator KERR. Then you ought to be in good practice on answering it.

Mr. MARSHALL. I have been able to answer it but I do have an answer here for you that is the result of research on the part of the chamber's staff.

At the outset of this program in 1935, the chamber questioned the constitutionality and the propriety of developing a huge reserve fund.

Senator KERR. I did not ask for a defense, Mr. Marshall.

Mr. MARSHALL. I am going to give you the record.

Senator KERR. I just asked you a simple question, which legislative enactment has your organization sponsored and approved?

Mr. MARSHALL. In 1939 the chamber supported the House bill. It did not oppose social security in 1935 but testified only against the huge reserve fund.

It supported the pay-as-you-go principle. It supported the House bill in 1939.

Senator KERR. When did we enact the pay-as-you-go principle?

Mr. MARSHALL. In 1950.

Senator KERR. Mr. Marshall, we do not have a pay as you go principle. We have a reserve system. If you want to put a statement in the record in addition to the one you made, it is fine.

But I would appreciate it——

Mr. MARSHALL. I will go on with these dates and give them to you right now as to things the chamber supported.

Senator KERR. Sir?

Mr. MARSHALL. I can give you the dates and the provisions that the chamber has supported.

Senator LONG. Mr. Chairman, I ask that that be included.

Senator KERR. Of legislative enactments?

Mr. MARSHALL. Yes.

Senator LONG. Mr. Chairman, might I ask that statement be included in the record because I believe everyone would like to have it available.

Senator KERR. I asked him to do so, but I just asked him to briefly answer my question.

Senator LONG. I do not think the answer is responsive to the question, but I would like to have it in the record.

I do not think the witness answered the question.

The CHAIRMAN. The statement will be received.

Mr. MARSHALL. We will be glad to file it, sir.

(The statement is as follows:)

YEAR 1935—SENATE FINANCE COMMITTEE

The Chamber of Commerce of the United States did not oppose the establishment of the old-age benefits program of title II in the Social Security Act. It did question the desirability of building up a huge reserve fund.

YEAR 1939—SENATE FINANCE COMMITTEE

In a letter to the Senate Finance Committee and the national chamber supported advancing the date from 1942 to 1940 when benefits would first become payable, increasing the benefits payable in the early years, and establishing a trusteed fund in place of the existing reserve account.

YEAR 1949—WAYS AND MEANS COMMITTEE

The national chamber supported:

1. Extension of coverage to all private employment and self-employment.
2. Integration of Federal and other public retirement programs with social security.
3. Benefit increases.
4. An increase in the tax rate, providing coverage were extended and benefits increased.
5. A continuation of the free wage credits to people for time in the military services.

YEARS 1953–54

The chamber again recommended universal coverage, coupled with establishing rights to benefits for all aged, at least for a minimum benefit. (This "blanketing-in" of all aged for social-security benefits would not violate the fundamental principles of the program according to Robert M. Ball—an outstanding expert in the field and now deputy director of the Bureau of OASI. See his report, Pensions in the United States, p. 34.)

YEAR 1956

The chamber again recommended extension of social-security coverage to all workers.

YEAR 1958

The chamber favored an increase in benefits for the people of advanced age who had retired several years ago and who are at the low end of the benefit scale. The chamber recommended this so that those benefits provided a "floor of protection."

Senator KERR. I believe that is all.

The CHAIRMAN. Are there any further questions?

Senator LONG. I would like to ask a question.

Senator MARTIN. I would like to ask a question.

You mentioned a moment ago there was a certain element now receiving a social security benefits that had not paid in enough to make it financially or actuarily sound.

What proportion of the people on social security, what percentage, would be in that category?

Mr. MARSHALL. My impression is that most of the people who have been on social security benefits for 2 years or more are now receiving benefits in excess, or they received in benefits during the first 2 years of their retirement, all of the money that they paid into the program.

For example, I know a friend of mine who is president of a large insurance company, who has just calculated that he has paid in at the maximum rate since the program started and I think he told me on the other day, he retires in 2 years from now—that within the first 3 years after his retirement the benefits paid to him and his wife will equal the amount that he has paid in during his life time of payments under this act since 1937 when the taxes started.

Senator MARTIN. Do you have figures to show the percentage that would not pay in enough to make it——

Mr. MARSHALL. To pay for their own benefits? Yes; we can do that.

A person who pays most in social taxes in relation to the social security benefits he may receive is one whose covered earnings each year since 1937 at least equalled the taxable wage base. By September 1957, the social taxes he would have paid would total $912. If he retired October 1, 1957, he would have received $976.50 in primary old-age benefits during the ensuing 9 months—or more than he had paid in. Of course, all who have been taxed at less than the maximum would get back in less than 9 months in benefits all they paid in social taxes.

On June 30, 1958 there were 6.6 million primary beneficiaries. Of these, 5.7 million had already received more in benefits than they had paid in social taxes. In addition, there were 5.1 million others receiving dependents, or survivors social security benefits. Of course, they had paid no social taxes in connection with receiving these benefits.

Thus, of the 11.7 millions receiving old-age, dependents, or survivors social security benefits in June 1958, at least 10.8 million, or 96 percent, had received more in benefits than they had paid in social taxes.

But I would like to point out, Senator, that I do not think that necessarily means the program is actuarially unsound. If you assume that the present generation of workers and the interest on the $22 billion trust fund is paying the benefits for the present generation of retired people and with the proposed increase in tax rates up through 1969, will continue to do so, then I think the program is reasonably actuarially unsound, even though there are many people receiving benefits who have paid in little or nothing toward the cost of those benefits.

The CHAIRMAN. You are speaking of the present program, not an increase in benefits in the future?

Mr. MARSHALL. That is right, Senator.

Senator LONG. Mr. Marshall, I differ with some of the things you have said here but I do want to compliment you and your organization on at least having something to offer and not just being completely against everything like some people are, who come before our committee.

You have indicated that your organization originally favored the pay-as-you-go approach.

Mr. MARSHALL. Yes.

Senator LONG. Personally I still favor the pay-as-you-go approach. I believe Senator Martin over there joined me at one time in proposing an amendment along that line that would go along with the idea that the present generation of working people are going to pay the cost of providing for the aged of their generation and their children will assume that same burden when their time comes.

It would also take the approach that what a person draws down would be related to what he is putting up during his productive years, is that right?

Mr. MARSHALL. That is the present basis, that is right.

Senator LONG. And your approach was, if I recalled it, to try to provide a minimum adequate so that a person would not be on the welfare rolls?

Mr. MARSHALL. That is right.

I think this program should provide a minimum so that he does not need to be on the welfare rolls. That any luxuries of life he should provide out of his own savings.

Senator LONG. Frankly, when you propose that we try to do something for those who are in age bracket 80, I wonder if you have estimated what the cost of that would be if we did it.

For example, suppose a person retired at age 65 in the year 1939. Based on $150 average earning he would be entitled by my calculations to draw $65 retirement.

Because inflation has occurred since that time, that $65 retirement brings him about half of what it would have brought him.

If we calculated his present entitlement, based on present circumstances, just on the present formula, the $150 he was earning then would compare to $300 today, and a retirement based on $300 would be $95 compared to that $65.

Now, I generally agree with your philosophy here but I wonder if you have calculated what the cost of that would be.

I suspect it would be a little more than it has been.

Mr. MARSHALL. I do not know that we have calculated what the cost of it would be, I am pretty sure we have not. I think, number one, that $95 has been increased somewhat since that.

I do not know whether the $95 was sufficient or not but I would like to submit that this fellow who retired in 1939, that is 20 years ago, his life expectancy at the time he retired was around 15 years. He has already lived 20 years.

Senator LONG. He may be a lucky one who is 85 years old.

Mr. MARSHALL. But my point is that your multiplier in terms of numbers of people—you may have to give each one of them a rather large increase—but your multiplier on that increase in terms of the number of people still living and in terms of the number of years they are going to live would be pretty small, so that your cost might be high for a year or two or three but it would cut down pretty rapidly for that reason.

Senator LONG. Right.

I would hope though that something along the line that you are speaking of could be adopted because where inflation has had the effect of wiping out part of the entitlement of a person retiring in decency it does seem to me we should make some allowance for that.

Just one other matter.

You mentioned the burden—you used this phrase that in the main the social security tax is "a burden on the cost of goods."

Generally speaking, it is a tax that everyone pays, is it not?

Mr. MARSHALL. That is right.

Senator LONG. Because it is passed along even by the manufacturer and the worker to those who consume those products.

Mr. MARSHALL. Precisely.

Senator LONG. In the main everyone pays the tax?

Mr. MARSHALL. That is correct.

Senator LONG. You did somewhat take us to task in a very polite way for passing social-security bills in an election year. [Laughter.]

I hope that you realize that over here on the Senate side we are somewhat the captive of the House of Representatives, because a revenue bill, and this is a revenue bill, must originate in the House.

Now the junior Senator from Louisiana walked out on the floor a while back and caught a revenue bill from the House that did not relate to social security. It related to unemployment compensation. He did his best to put an amendment on it increasing public assistance benefits. That proposal was defeated on the argument that we ought to wait until the House sent us a bill relating to this subject matter.

You must realize that you must make that plea to the House Ways and Means Committee to send that type of bill to us the first, instead of the second, year of a session of Congress.

Mr. MARSHALL. I must apologize and I recognize all the political implications on this thing. I think there are many things that can be done wisely and well in elections years but it seems to me this is such a long-range vital program that I would earnestly plead that we just do this on the basis of mature deliberation by the experts, and many of you gentlemen I would class as such.

Senator LONG. But when you refer to this committee——

Senator KERR. Would the Senator yield?

I am glad he brought this up. I am profoundly impressed by the witness' expressing the principle that if Congress was going to be political it should never have been in an election year. [Laughter.]

Senator LONG. This point I did want to make though.

Senator MARTIN. Would you yield now?

Senator LONG. Might I make just this one statement and then I am through, sir.

Just one point I want to make: We have had an 8-percent increase in the cost of living since the last social-security bill. It seems to me this program should keep up with the increase in the cost of living because these retirement payments are not enough for a person to live on with any slack in his income.

I believe you appreciate that fact.

Mr. MARSHALL. I appreciate that is the reason it has been given for this. I think that is a good reason but I do not think a careful analysis of all the factors involved would make that an adequate reason for this particular increase.

Senator MARTIN. Mr. Chairman, might I make just a comment there?

I was very much impressed with the discussion between the distinguished Senators from Oklahoma and Louisiana about election years. Maybe an election year is not a good time to consider increase in social security, but I am wondering whether it would not be wiser from an American standpoint to discuss all of these things in an election year and then come back, after the result of the election and then consider matters of this kind.

I have great faith in the American people when they have the truth. A distinguished member of this committee, who was in a very difficult primary, Senator Gore, made what I thought was a very significant statement when he was asked by a reporter how he conducted his campaign and he answered by saying—"I tried to give the people the truth," they know how much this social security is costing, the possible danger of increase in costs of production which must be taken up by the consumer, the possibility of inflation, all of those things, when they are discussed, openly discussed by men who have different views on both sides, then I feel the American people will give a pretty good answer.

I have great confidence in them.

But the unfortunate part is we do not discuss the issues enough.

Now, Senator Gore made the statement that he could play the violin and do things like that, but he did not do that.

He went out and told the people the situation as he understood it, and he won out, and that is just what I think we need to do in our country.

Now this thing of keeping away from politics, it just does not sound good to me in this great country of ours because ours is a political country, and I am so fortunate that it is about the only place in the world where you can discuss issues and I think they ought to be discussed.

I am sorry to take the time, Mr. Chairman.

Mr. MARSHALL. Could I just agree wholeheartedly with Senator Martin on this thing and just add one thought: I think one of our

problems in getting these issues before the voter is that programs like this tend to get very complicated and I think unnecessarily so.

I think efforts should be made at every point to simplify provisions of a bill like this, along the lines that the Senator over here, from Louisiana, suggested so that when we do present the issues to the people they can understand them and I, like you, have great confidence in their ultimate good judgment then.

Senator MARTIN. Apologizing for taking additional time, I wish these things were discussed in the public schools.

When I went to public school out in the country in a one-room schoolhouse, we had teachers who knew the political issues confronting them and we in classes knew them and I think it was awfully helpful.

I apologize, Mr. Chairman, for taking so much time.

The CHAIRMAN. Senator Malone?

Senator MALONE. Mr. Chairman, this testimony has been very interesting to me. Of course we got tangled up in an election year now.

Do you have any idea that the public forgets how you voted on a bill, whether it was an off year or an election year?

Mr. MARSHALL. I don't know. I am not too familiar with the political aspects of these things.

Senator MALONE. I could tell that from your statement but I just wanted to ask you. [Laughter.]

Mr. MARSHALL. I would suggest, sir, that a $2 or $3 increase in the benefits that a fellow received—did you read the article in the Wall Street Journal on Friday on this social-security bill; that was a very interesting series of interviews with possible recipients, the extra benefits.

Senator MALONE. You agree with the Wall Street Journal on pretty nearly everything, I expect, don't you?

Mr. MARSHALL. No; unfortunately, I do not.

Senator MALONE. Could I ask what your business is?

Mr. MARSHALL. I work for General Dynamics, Senator.

Senator MALONE. That is a good outfit.

What do you do for the chamber of commerce?

Mr. MARSHALL. I am a member of their board and I have been chairman of the economics security committee for quite a number of years.

Senator MALONE. Are you familiar with the positions generally that the chamber takes on economic matters, on economic questions, before this committee?

Mr. MARSHALL. Generally familiar, but more particularly familiar with their positions with respect to social security because that is the field I have been working on.

Senator MALONE. What is the cost of social security annually?

Mr. MARSHALL. The cost of social security annually?

Senator MALONE. The total thing.

Leave out the Government working people, just the social security as it applies.

Mr. MARSHALL. It is running about $8 billion annually now.

I do know that is a little bit more than the interest on the $22 billion trust fund, plus the taxes on the employer, employee, and self-employed at the moment.

Senator MALONE. Are you familiar with the amount of money we send to foreign countries each year?

Mr. MARSHALL. No; I am not.

Senator MALONE. Is Dr. Schlotterbeck?

Mr. MARSHALL. No.

Senator MALONE. For your information I will tell you. Since World War II we have supplied foreign nations with cash up to above $70 billion buying friends and influencing people, and we have had two wars during that time and apparently, according to the Secretary of State, we are pretty close to another one.

We have our troops all over the world now.

I think we have troops in 60 different nations.

Do you think we are doing a very good job of influencing people with our $6 billion or $7 billion a year?

Mr. MARSHALL. I do not know what the chamber's position is on foreign aid, and since I am here as their witness on social security I would prefer not to express an opinion.

Senator MALONE. Well, I am about to tell you, the chamber is for it and they are for dividing American markets with all the nations of the world and, in other words, I have become very discouraged with the Chamber of Commerce of the United States in the last 20 years. I have only been here 12 years but I ran a business up to then, and what you have done to small business, you have about taxed it out of existence, and the importation of cheap labor has done the rest of it.

So that you are just about finished.

You are going to have the same kind of a system you have in Europe with the very rich and the very poor, pretty quick.

But are you familiar with the Keogh bill that just come over from the House on social security?

Mr. MARSHALL. That will permit self-employed individuals to contribute tax free to a savings program.

Senator MALONE. Well, you put it the other way, whatever they put aside up to a certain limited amount would be deducted from their income tax.

Mr. MARSHALL. I am not familiar with the details of that bill. I did look into that principle at one time and I found Canada has a somewhat similar system but it spreads over the country to everybody. It does not single out a particular class and enables them to do that, but it permits everybody in Canada to do that. And I was impressed with it as an incentive to savings.

Senator MALONE. It is a good principle.

Mr. MARSHALL. It is a good principle.

Senator MALONE. What about that, Dr. Schlotterbeck? You have been answering about half the questions.

Mr. SCHLOTTERBECK. May I say the chamber has opposed the Jones-Keogh bill as being discriminatory. It favors a broader approach.

Senator MALONE. Maybe you would like my bill I have had in committee for some time, which would allow anyone who has been in social security or not if he could squeeze out a couple of dollars, which would be doubtful, of course, that he could take advantage then of the income tax in the same manner.

Would you favor that sort of thing?

Mr. MARSHALL. I think the chamber's position would be in favor of that bill. That is very much along the line of the Canadian bill.

My recollection is that it had been changed in Canada. It is up to $1,500 a year you can put into annuities tax free with certain safeguards out of your income and it is across the board, everyone can do it.

Senator MALONE. I have a few questions I want to ask you about your testimony.

But it is my impression if we had started that principle 10 or 15 years ago we probably would have been better off and maybe would not have gone quite so far in the type of social security that we are now under, and if we were to adopt the principle now we might gradually get back to it in 10 or 15 years. It takes time.

I do not know that but I have this bill here and I think we are going to hold hearings on the Keogh bill and I hope with mine at the same time.

What kind of an arrangement does your chamber of commerce have, they have full-time employees, figuring out this testimony of yours; do they not?

Mr. MARSHALL. Yes.

Mr. Schlotterbeck and his staff get up these examples.

Senator MALONE. And Dr. Schlotterbeck is a full employee?

Mr. MARSHALL. Yes.

Senator MALONE. Is that true?

Mr. SCHLOTTERBECK. Yes.

Senator MALONE. Do you have social security or retirement, the United States Chamber?

Mr. SCHLOTTERBECK. The United States Chamber is under social security and has a private retirement plan.

Senator MALONE. What is that, how does it work?

Mr. SCHLOTTERBECK. It is a contributory——

Senator MALONE. How does it work?

Mr. SCHLOTTERBECK. An equal percentage is contributed by the employee and the employer.

Senator MALONE. And this is a special fund—the chamber of commerce fund?

Mr. SCHLOTTERBECK. It is like the staff programs many companies have.

Senator MALONE. What does it amount to?

Mr. SCHLOTTERBECK. Well, it is a certain percentage times the full number of years of service with the organization.

Senator MALONE. What would you get, if you retired now?

Mr. SCHLOTTERBECK. Well, I would like to supply that; I do not know.

Senator MALONE. About what?

Mr. SCHLOTTERBECK. I could not answer that.

Senator MALONE. You are the first man who did not know something about his own retirement.

Mr. SCHLOTTERBECK. I am more interested in what I can put aside myself, Senator.

Senator MALONE. Well, a good many people in this country are unable to put by anything. They are unable to eat now.

How many unemployed are in the country now, Doctor?

Mr. SCHLOTTERBECK. It is about 5 million.

Senator MALONE. You are sure it is not nearer 6 million?

Mr. SCHLOTTERBECK. I think the last figures, there may be some more recent ones, show a little over 5 million.

Senator MALONE. That is quite a few anyway; is it not?

Mr. SCHLOTTERBECK. That is out of about a 70 million labor force, yes.

Senator MALONE. You have supported this 1934 trade extension of it this year, the United States Chamber of Commerce supported it; didn't they?

Mr. MARSHALL. The Trade Agreements Act.

Senator MALONE. The so-called reciprocal trade.

Mr. SCHLOTTERBECK. I could not answer it.

Senator MALONE. You do not know either?

Mr. MARSHALL. I do not know either.

Senator MALONE. You are a member of the board?

Mr. MARSHALL. Yes. I know we discussed the reciprocal trade agreements as members of the board.

Senator MALONE. I have always been sure that the members themselves had very little knowledge of what was going on with the Washington office.

Mr. MARSHALL. No; I would like to point out, Senator, contrary to that, the policies of the chamber on which the chamber's positions are based are not adopted without a careful submission to all of the 1,300-member organizations and their delegates——

Senator MALONE. Then you ought to know something about the position the chamber takes on this $5 billion or $6 billion a year, now don't get funny about this, I want you to look over here and answer those questions.

Mr. MARSHALL. I will be delighted to look that up.

Senator MALONE. I am going to ask you one and did you know that the chamber favors $5 billion or $6 billion to European or Asiatic nation each year and are in favor of free trade?

Mr. MARSHALL. I did know the chamber had debated in its board very extensively this issue with respect to foreign aid.

Senator MALONE. Pass it, Mr. Chairman, and we will go on with the next one.

I see you do not know very much about it.

You said something a while ago about no one should draw any compensation from more than one fund, that interested me; I want to know if you understood what you said.

Mr. MARSHALL. For one disability?

Senator MALONE. Yes.

Mr. MARSHALL. That is right.

Senator MALONE. Maybe that explains it.

We had a question here a year ago, which we straightened out. I think your bureau and all of the bureaus in Washington were against a veteran drawing disability compensation and social security. Do you understand what that is?

Mr. MARSHALL. Yes.

Senator MALONE. Do you favor it?

Mr. MARSHALL. The chamber has no position on that. We did not take any position.

Senator MALONE. I am going to explain it to you, because it faces this committee, and you are very prominent in testimony here on social security.

We straightened it out for service connected last year, and I hope we do this year for nonservice connected, because when a veteran is paid compensation for disability that is to bring him up even with someone who has no disability and that is the average, and then if he gets a job, which is, generally, an inferior job to what he might get if he were not disabled and drawing that compensation, then he draws in like any other social-security worker and draws his social security on that basis.

Now, on that basis, you would not oppose that, would you?

Mr. MARSHALL. Well, the chamber did not—I do not understand the question, but I do not think the chamber had any position on this.

Senator MALONE. Do you? You are the one who made the statement.

Mr. MARSHALL. I do not understand exactly the issue involved.

Senator MALONE. Well, I will give it to you again. Here is a veteran, who is getting a disability benefit, service-connected disability or non-service-connected——

Mr. MARSHALL. And then he goes to work on a full-time job?

Senator MALONE. Yes.

Mr. MARSHALL. You want to know whether I would oppose his continuing to receive that service-connected disability, the disability payment or not?

Senator MALONE. When he retires, he draws his compensation the same as he had had for a good long time, but he gets, in addition, social-security retirement, to which he has paid the same as any other worker.

Mr. MARSHALL. We do not have any position on that. If you want my personal view——

Senator MALONE. You took a position a while ago, and I wanted you to understand that to see if it carried over into the veterans field.

Mr. MARSHALL. I will have to check that and see what the chamber's position is.

Senator MALONE. I am asking you, personally, now.

Mr. MARSHALL. Personally, I would say this: I, personally, think you would have to look at each case and see whether it was a good case or not. But I know of——

Senator MALONE. You mean a compensation for disability? You do not have to look at it. We have a bureau to do that, Veterans' Bureau.

Mr. MARSHALL. It depends to a large extent whether it is service connected or not.

Senator MALONE. The service connected is taken care of. And you believe now he should get his compensation disability and his social security that he has paid into just like any other worker?

Mr. MARSHALL. I do not know. I cannot answer the question.

Senator MALONE. I thought you made a broad statement that, probably, you did not know all the details.

Mr. MARSHALL. This had to do with these non-service-connected public programs here of disability pensions, workmen's compensation.

Senator MALONE. This does not have anything to do with nonservice or service connected. This is another question. I wanted to know your position on it, because you made a statement they should not draw it.

Mr. MARSHALL. As stated in the testimony here, Senator, we made it clear we did not believe that, on account of the same disability, which in this case is nonservice connected, a man should get disability bene-

fits from workmen's compensation, from a veterans program, and from social security at the same time, especially in such an amount that it might be greater, his tax-free income, might be greater than that that he received when he was well and working.

Senator MALONE. Well, now, you have gotten on to another subject. Of course, it never does, if he has any kind of a job at all. Now, the $10 a day or $15 a day—what I am asking you now, and it is going to face this committee, whether it is service connected or not, if the Bureau, the Veterans' Bureau, gave them this compensation, and we have that Bureau set up to do that particularly for veterans, the United States chamber does not operate in that field, I don't think, but if he has this disability it probably keeps him from getting as good a job if he were not disabled.

If he gets some kind of a job, though, and then he pays in the social security on that particular job, even though it is not as good as he might get if he were not disabled, it is a separate thing; one is a disabled veteran in compensation by virtue of his service in the Armed Forces; the other one is something he has paid in just the same as any other worker. You would be against him getting his compensation?

Mr. MARSHALL. I think I would, for the reason that, and this is on another subject—when you approach as much income for not working as you do—what the man gets for working, you put a very real barrier to his willingness to be rehabilitated, and I think the main effort in this area should be along the rehabilitation line and not necessarily along the lines of getting these payments.

Senator MALONE. I think we have taken care of that, too, in the Veterans' Bureau.

Mr. MARSHALL. I think they are doing a good job.

Senator MALONE. If you do, then your testimony is clear and we will pass that. I had a couple of more questions to ask you. You, apparently, however, do not believe that any social security or any appropriation of money for any outside operation should be passed on in an election year because the Senators and Congressmen would not be capable of separating the election from the vote.

The CHAIRMAN. Will the Senator yield?

I have a statement here of Senator William Proxmire, which he asked to be inserted in the record and, without objection, it will be included in the record following Mr. Marshall's prepared statement.

(The statements referred to follows:)

STATEMENT BY A. D. MARSHALL FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES

My name is A. D. Marshall and I am vice president of the General Dynamics Corp. Today, I appear on behalf of the Chamber of Commerce of the United States as a member of the board of directors and chairman of its committee on economic security.

We appreciate very much this opportunity to testify on the social security proposals contained in H. R. 13549.

SOCIAL SECURITY

The national chamber has supported the basic principles of Federal old-age and survivors insurance benefits, commonly known as social security. One of these principles holds that social security should provide a "floor of protection" against destitution in old age. Benefits above this "floor" should be provided by the individual, according to his needs and resources.

Attempts to stretch the program into a mechanism for total security, however, will rob the individual of the necessity—the incentive—to build additional old-age income protection through his own efforts. Such attempts also will reduce the opportunity for the individual to fashion his own security program to suit his own needs and tastes.

A review should be made of the adequacy of the floor of protection. However, it should be kept in mind that, while the cost of living has increased, wage levels have been rising, too—in fact, almost twice as fast as living costs. And thus the ability of employees to build their own additional old-age income has been improving. In this process, the ultimate amount of their social security benefits on retirement has been increasing.

Social security fills a humanitarian need. However, its real justification as a Federal compulsory program is that it serves the national interest.

Similarly, compulsory education was established in the public interest—to protect the body politic from the bad judgments of illiteracy. If we had permitted a large part of the population to remain unable to read and write, they would have been incapable of exercising their political freedom in an informed, responsible manner—and our form of Government could not have survived. If we had permitted a large part of today's electorate to remain illiterate, incapable even of understanding the basic principles of sanitation, nutrition and public health, our Government in this atomic age would be doomed if not already dead.

In like manner, it can be said the basic purpose of compulsory social security is to protect society from the political consequences of possibly leaving large numbers of elderly persons with such meager means of support as to constitute a social problem for the Nation. If our worthy, experienced and resourceful growing older population were left adrift in today's economic tides, we could expect them to take a kind of concerted action which could lead to political, social and economic instability. In fact, the program was initiated to deal with the future problem of people no longer able to support themselves by working because of old age, and thus possibly being in need.

Benefits were to bear some relation to a past record of earnings and to be paid as a matter of right—that is, without the application of the "needs test" which exists in old-age assistance. These benefits were to be financed by taxes levied concurrently on those then working and on their employers.

Since Congress was creating a new and unique social program to be especially suited to the peculiarities of American life and its dynamic economy, it is not surprising that some of the basic principles were not crystallized at the outset. For example, it was not until the amendments of 1950 that Congress concluded that this program of cash benefits paid as a matter of right should be self-sustaining. The costs would henceforth be wholly financed by equal taxes on employees and employers, taxes on self-employed, and the interest on the trust fund. In other words, on a long-run basis, the income and outgo should be kept equal. With this and other fundamental features of social security—cash benefits as a "floor of protection" sufficient to prevent want, the wage-relationship of benefits, the "work test" to prove substantial retirement or inability to continue supporting oneself by working—the national chamber is in accord.

Social security is a useful program and has a very constructive purpose. There is no doubt that this program providing a "floor of protection" monthly income to aged people, their dependents, and survivors of family breadwinners has been appreciated by all who have directly benefited, and is generally accepted by most workers covered by it.

Amendments to this program have extended benefit rights to dependents and survivors of workers and, at age 50, to those totally and permanently disabled. Various provisions in recent election-year amendments have made benefits bigger, and easier to get. If the purpose of social security is to provide a "floor of protection," then the constant efforts to expand it piecemeal in all directions are suspect. Patchwork, election-year expansions are unfair to the employees and employers who pay the social security taxes, and to the beneficiaries alike.

However, Federal old-age and survivors insurance benefits is an extremely complex program. The various provisions in this law are so interrelated that virtually any change affects costs and financing. This one fact makes thorough, searching examinations by congressional committees and by advisory councils of profound importance not only to the beneficiaries, but also to business and to all those workers who are covered by the program.

CORRECTING THE ACTUARIAL DEFICIENCY

H. R. 13549 involves a change in the financial support for social security—in part, to reduce substantially the prevailing actuarial deficiency and, in part, to

cover the added costs of a 7 percent benefit increase. This change calls for an increase in the social security tax rate, an increase in the taxable wage base and an acceleration of the scheduled tax increases in the present law. In the 1950 amendments, Congress established a new Advisory Council on Social Security Financing to report by the end of this year. For this reason, we recommend that any changes affecting costs or financing be postponed until after this advisory council has submitted its report.

A social security tax increase in 1959 would not be propitious from the standpoint of overall economic recovery. Business is now making strenuous efforts to cut its costs wherever possible in order to hold the line on prices, and thus stimulate business recovery. In some companies, contractual wage increases are now being absorbed. In others, these added costs could not be absorbed and prices have had to be raised. On the whole, however, business is making every effort to trim costs wherever possible and thus contribute to an improvement in production and employment.

A statement by President Eisenhower in a May 20 address is pertinent. He said, "Perhaps this is a good time to ask ourselves whether some dangerous rigidities of thought and policy have not been setting in on us in recent years.

"There used to be a periodical feature entitled, 'We Nominate for Oblivion * * *.'

"Let me suggest a few ideas that I would like to nominate for oblivion:

"The idea that management can be lax about costs without pricing its products not only out of foreign markets but out of the American market as well; * * *."

Increases in overall costs for every producer will be reflected in his prices and profits. While some producers may be able to absorb some cost increases, others—the marginal producers—cannot. The latter will be compelled to pass along these cost increases through higher prices or a layoff of workers, or both. And, of course, prices will have to equal costs of these marginal producers.

Covered workers ars consumers are finding themselves pinched by higher costs of some of the necessities of living. They are also being taxed more heavily at the State and local government levels for more schools, roads and other public programs.

We strongly recommend that no social security changes involving tax cost increases be made until the Advisory Council submits its report, and until it is clear that we are well on the road to business recovery. We believe that such a postponement would be prudent and constructive.

Both the Ways and Means Committee and the House of Representatives are to be congratulated for their concern with the prevailing actuarial deficiency. They are obviously unwilling to allow this deficiency to persist and even to grow, as has occurred during the past several years in its companion social benefit program—railroad retirement.

THE INCREASE IN BENEFITS

We believe that there is no basis for a benefit increase at this time when viewed against the past record of benefit increases and the cost of living. Since 1939, Congress has increased benefits for those on the rolls three times—in 1950, 1952, and 1954. During this period, the cost of living—from 1939 through June of this year—has risen by 108 percent. However, since 1939, Congress has increased benefits by 134 percent. If this 7 percent increase should also be approved, it would mean benefit increases over the years of 148 percent.

The last time Congress increased benefits for the cost of living alone was in 1952. Since September of that year the cost of living has increased 7.8 percent. Meanwhile, in the 1954 amendments, Congress increased benefits on the average by 12 percent for those then on the rolls, and by 16 percent for those retiring after 1954.

Next year, if Congress should conclude that some increase is necessary to preserve social security benefits as a "floor of protection," a flat percentage across-the-board increase will not do the job satisfactorily for many aged beneficiaries. At the end of 1956, there were roughly 6.6 million aged primary and secondary beneficiaries, of whom 2.2 million received benefits of less than $50.

These relatively small social security benefits are attributable to three major factors. A small monthly benefit to an aged person (male or female) is due to (1) a low earning capacity if regularly employed and regularly covered by social security; (2) a low monthly earnings record as a result of intermittent coverage by the program (this could arise either from a tenuous attachment to the

labor force or, if regularly employed, moving in and out of "covered" jobs); or (3) receiving a relatively small benefit as a dependent spouse or widow.

The vast majority of these 2.2 million receiving benefits of less than $50 retired during the 1940's and during the first 2 years or so of this decade. This means that they are in their late seventies and eighties—as compared with people retiring in the last few years and thus are in their late sixties or early seventies. These people of advanced age did not have the opportunity of working during the past decade or so when wages have been high and rising. In consequence, under the present law they are not "eligible" for larger benefits, nor did they have the opportunity, because of their lower pay to put as much aside through their own efforts for their own old age.

Your attention is directed to Secretary Folsom's statement on this problem before the House Ways and Means Committee in which he pointed out that the average benefit of men going on the rolls in 1957 was $77.04, as compared with $65.90 for those who came on the rolls prior to the 1954 amendments. He said, "It is therefore clear that the average benefit for persons retiring now is much more in line with the current wage and price situation than for those who retired some time ago."

If, next year, some benefit adjustments are believed necessary to preserve the "floor of protection," greater consideration should be given to those of advanced age who retired a number of years ago and who are in the lower part of the benefit schedule. Such an adjustment would doubtless ease the need of many aged beneficiaries and reduce the likelihood of their seeking old-age assistance. Senator Long called attention to this problem in a speech in the Senate on May 26 of this year. He said at that time "* * * so long as social security benefits are in so many cases very low, we need a program to supplement the income of these less fortunate aged citizens, as well as those who are not insured." Today more than a half million aged social security beneficiaries—most of whom receive a small benefit—now get old-age assistance. A very large part of these are in this group of social security beneficiaries of advanced age.

CHANGES IN DISABILITY PROVISIONS

This bill, H. R. 13549, contains numerous special and technical provisions which merit the most careful scrutiny. For example, in the field of disability, this bill provides that:

1. Benefits be paid to the dependents of disabled beneficiaries.
2. Maximum monthly benefits to a disabled beneficiary and his family will be $254.
3. The present offsets for other types of public disability benefits against the social security benefits will be eliminated.

With these three changes, it will be perfectly possible for a disabled beneficiary who has usually earned, say, $3,700 to receive as much as $3,000 of disability benefits under social security. By eliminating the present offset provision such a beneficiary and his family could also receive full benefits under workmen's compensation, Federal employees' compensation or veterans' non-service-connected disability benefits—all for the single condition of disability. With such benefits usually tax free, this disabled worker and his family could receive as much in tax-free income as he originally had in take-home pay when working.

There will be situations in the future where the total amount of tax-free disability income would be greatly in excess of take-home pay to which those families had previously been accustomed. This will develop because increases in benefits under workmen's compensation, Federal employees' compensation and veterans' non-service-connected disability benefits are considered separately. Changes are made on the basis of the facts in each program. No consideration would be given to the fact that many of the people involved would also be entitled to receive social security disability benefits.

Experience has shown that monthly cash benefits for disability of substantial size can prove to be a strong deterrent to successful rehabilitation. Mr. John H. Miller, vice president and actuary of the Monarch Life Insurance Co. and one of the outstanding experts in this field testified before this committee in 1956. He concluded "There is little argument today over the proposition that the mental attitude and emotions of an individual have a profound effect on his physical well-being. These apparent malingerers are, for the most part, really disabled according to any practical criterion of disability, but would not have been if there had been no disability income to rely upon." (See hearings, Social Security Amendments of 1955, Senate Finance Committee, 84th Cong., 2d sess., pt. 2, pp. 650-651.)

We believe there is no social justification or equity in paying disability benefits to 1 person from 2 or more public programs where the payments are based on the 1 condition of disability. Moreover we see no merit in paying public disability benefits—tax free benefits—that may be equal to or even greater than an individual's usual take home pay when last working. Since tremendous advances in rehabilitation have been achieved in recent years, such extremely liberal benefit treatment is not the humanitarian approach to the problem of individuals who are disabled.

Establishment of benefits to dependents of disabled beneficiaries will provide a strong argument for lowering or eliminating the present age requirement of 50. It will be contended that most of those permanently and totally disabled with family dependents are less than 50 years of age. Therefore, unless the age limit of 50 is lowered, or removed entirely, establishment of dependents benefits will be of little help to those who most need it. Dropping the age limit, together with dependents benefits, the new family maximum of $254 monthly, and the elimination of the present disability offset is likely to snuff out the incentives of disabled breadwinners to be rehabilitated. Overall costs involved will inevitably be greatly magnified.

THE PROGRESSIVE, OR "VARIABLE" GRANT-IN-AID IN PUBLIC ASSISTANCE

Another example of the need for careful examination of miscellaneous provisions in this bill is the new formula for Federal grants to states for public assistance.

Apparently the intent of the Ways and Means Committee was to provide additional Federal funds to enable States to pay more to those on the rolls. The committee stated that "under your committee bill, each State would receive additional Federal funds which would enable the States to increase the payments to individuals receiving aid as needed, or to give assistance to additional needy people. * * * The committee considered the possibility of including in the bill language to require the States to use the additional funds made possible under the bill for additional assistance, or for the money to revert to the Federal Treasury, but your committee has not been able to find such a provision that would operate equitably."

This new formula will not assure that all the additional Federal funds will be passed along to those on the assistance rolls. Experience since the 1956 increase in Federal support shows that many of the States did not pass along all the additional Federal money. In the case of old-age assistance, a third of the States did not do so and, in fact, four actually used these funds to reduce the State and local support. In aid to the blind and aid to the permanently and totally disabled, roughly half of the States failed to pass along all the additional Federal support. Again, a few of the States eased the burden on State and local tax resources. In aid to dependent children, nearly two-thirds of the States failed to pass along all the Federal money.

We would now like to call your attention to the purpose of the variable grant proposal and how it actually would operate. According to the Ways and Means Committee report, "The formula also recognizes the limited fiscal capacity of the lower income States. * * * The revised formula in the bill for determining the Federal share of assistance will be of particular assistance to States with limited fiscal resources and will enable these States to make more nearly adequate assistance payments." Of course, the inference here is that those States which rank relatively low in terms of per capita income—and hence presumably in fiscal capacity or a taxpaying capacity—will, in consequence, rank relatively low in terms of average assistance payment. This may be illustrated by the figures below for a few States.

Selected States ranked by per capita income and by average OAA payments (based on 1956 data)

State	Rank in per capita income	Rank in average OAA payment
New York	6	2
Oregon	16	8
Wisconsin	18	13
Arizona	26	27
Vermont	31	35

The figures above suggest a reasonably close relationship between per capita income and average OAA payment. For example, Wisconsin ranks 18th in per capita income and 12th in average OAA payment. Arizona was 25th in per capita income and 27th in average OAA payment.

However, data for other States show no such correlation. The figures in the table below show that Delaware, for example, ranked 1st in per capita income but 30th in average OAA payment. Louisiana, on the other hand, ranked 37th in per capita income, but 21st in OAA payment. North Dakota was 40th and 5th.

Selected States ranked by per capita income and by average OAA payments (based on 1950 data)

State	Rank in per capita income	Rank in average OAA payment
Delaware	1	30
California	4	10
Washington	12	1
Pennsylvania	14	34
Colorado	16	6
Minnesota	24	9
Oklahoma	35	17
Louisiana	37	21
North Dakota	40	5

Obviously per capita income is no measure of the fiscal capacity of any State to provide old-age assistance. There are other factors involved. Conditions of eligibility, the willingness or unwillingness of persons of each of the States to be taxed more for Government programs or for public assistance specifically, and possibly a consensus within the State that the prevailing OAA cash grants are adequate are reflected in the average payments for OAA. (For detailed analysis, see Social Security After Eighteen Years, a staff report to the chairman, Subcommittee on Social Security, Committee on Ways and Means (1954) pp. 16–20.)

The variable grant formula contained in H. R. 13540 would not accomplish what is apparently intended. According to the Ways and Means Committee report, "Federal participation * * * would be 50 percent for States whose per capital income is equal to or above the average per capita income for the United States, and would range upward to 70 percent for States whose per capita income is below the national average." Using per capita income data for 1950 alone, we find that the majority of the States would cluster at the 50 percent floor and at the 70 percent ceiling. The distribution of States by percentage of Federal participation would be as follows:

Federal participation:	*Number of States*
50 percent	15
51 to 54 percent	6
55 to 59 percent	3
60 to 64 percent	8
65 to 69 percent	3
70 percent	13

The data above show clearly that there would be no broad distribution of the States between the floor and the ceiling. This very curious, distorted distribution results from the use of squares of per capita income in the variable grant formula.

Closer examination of this distribution showed that several of the States which rank very high in terms of average old-age assistance payments would receive 65 percent or more Federal participation.

This brief analysis of the variable grant proposal applied to OAA data reveals that:

1. Per capita income data are not a reliable measure of fiscal capacity of States in providing State and local funds for public assistance.
2. Other factors than fiscal capacity usually explain the level of assistance payments.

3. The specific formula provided in the bill does not result in a reasonable distribution of the various States between the 50 percent floor and 70 percent ceiling.

4. This formula would extend Federal tax money to the various States irrespective of the relative average assistance payments.

The bill proposes to substitute this variable grant formula for a matching arrangement, which is in addition to a basic graduated formula. Under the present law 80 percent of the first $30 of payment for old-age assistance, aid to the blind or aid to the totally and permanently disabled are supplied from Federal funds. Twenty percent are financed from State and local resources. Of the next $30, the Federal Government participates on a matching basis.

The substitution of the variable grant formula for the present matching for the second $30 would greatly relieve many States of their remaining relatively small responsibility for caring for people in need.

The chamber believes that States and communities should be primarily responsible for caring for those in need because they are closest to the situation and thus know best what is required. For these reasons we believe the variable grant formula is a step in the wrong direction and should not be approved.

RECOMMENDATIONS AND CONCLUSIONS

Sound financing of social security is of utmost importance—not only to present beneficiaries, but also to the millions of workers who are paying the bill today and who expect to receive benefits in the future. Congress obviously recognized this in 1950 when it provided for the present Advisory Council on Social Security Financing. We urge Congress to make no changes affecting costs or financing until this Council submits its report.

The proposed tax cost increase next year is ill-timed, in view of the current efforts of business to cut its costs and to hold down prices.

The proposed added tax costs on workers likewise would come at a most inopportune time. They, too, are faced with higher costs and with heavier State and local taxes.

The merit of the proposed 7 percent increase in benefits is not borne out by the facts.

The proposed changes in the disability provisions have far-reaching implications. They could result in widespread abuse, and in greatly expanded and unjustified costs under social security, workmen's compensation, veterans' benefits and Federal employees' compensation.

The proposed variable grant-in-aid for public assistance will not accomplish its objective.

We recommend a new advisory countil be created to carefully examine various miscellaneous provisions in H. R. 13549, including those in the disability field and the variable, or progressive grant-in-aid for public assistance.

STATEMENT OF HON. WILLIAM PROXMIRE, UNITED STATES SENATOR FROM WISCONSIN

The amendments to the Social Security Act which have passed the House of Representatives are modest and conservative—far too modest and conservative in my opinion—but they are improvements and so I give them my full and heartfelt support.

It is imperative that we keep the social security system in step with the ever-rising cost of living in the United States. We ought to do much more. We ought to make advances, we ought to pioneer, in bringing security against economic vicissitudes to more and more people. But at the very least we have an inescapable moral obligation not to let inflation make a mockery of a system which was devised to help people solve their own problems with dignity and self-respect.

That is the heart of social security, as I see it—that the beneficiary receives only what is his own, that the peace of mind he enjoys is a peace he has earned. No recipient of social security benefits need ever feel that he is in the slightest degree a public charge. And he will not, if the principle of actuarial soundness is resolutely preserved.

But it is essential that the recipient of social security benefits be able to get along on them. If in addition to his well-earned benefits he must seek public

relief, the whole purpose of social security—to keep the beneficiary a proud, whole man—has been tragically defeated.

This is exactly what is happening now. Benefits under the social security laws have fallen far behind the cost of living. Not even by the most stringent and soul-wrenching economy can the recipient make ends meet. Unless he has private income, or can place himself as an added burden on the shoulders of his children, he will be forced to seek assistance that he has not built up through his own contributions.

INADEQUACY OF PRESENT BENEFITS

A simple recital of the statistics would be enough to convince any American householder that our social security system no longer provides security.

The average old couple in America today receives a social security check of $110 per month.

The average single man on social security receives a check amounting to only $70 per month.

The typical single woman receiving social security gets a check for only $54 per month.

The minimum necessary for a decent living will vary from city to city. The best estimate I have for Milwaukee, the largest city in Wisconsin, is that a couple can get by on no less than $186 a month. This means that a couple receiving the average social security check will need $76 a month more from some other source to make ends meet at all.

But what of other sources of income? The sad fact is that one-half of those receiving social security checks have $15 or less in additional assured income.

I am sure that no member of this committee needs these statistics to know how desperate is the condition of people who must rely for their livelihoods on social security. You meet and talk with your people, as I do. You read their letters, as I do.

But this problem weighs heavily on my mind, I am sure, because I have waged four statewide campaigns in Wisconsin in 7 years, and am now caught up in another. I have shaken hands with literally hundreds of thousands of people, and talked to tens of thousands of them. I know, beyond a peradventure of a doubt, that the most important single issue to them today is the liberalization and improvement of our social security program.

Perhaps it is because I see and talk to the people of Wisconsin almost every weekend—at county fairs and baseball games and wherever they get together—that I think of this legislation in such intensely human terms.

I cannot forget that it is the old man living through a Wisconsin winter in a tar-paper shack—the old couple crowded in a single room with two grandchildren at their son's home—the spinster lady keeping her pride at the cost of slow starvation—who are involved in these amendments. I cannot forget—we must not forget—that it is people, not statistics, that we are legislating for.

CHANGE IN PUBLIC ASSISTANCE FORMULA

The one change in principle involved in the amendments sent over by the House of Representatives is the change in the public-assistance formula which takes need into account in determining the contribution of the Federal Government to the individual States.

This is a change in principle, but not a new principle. Actually it is by now an old principle—old, proven, and well accepted.

This formula was first devised by Arthur Altmeyer, a citizen of Wisconsin, when he served as Chairman of the Social Security Board. He recommended its use during the 1940's, and it was first employed in the school-lunch program enacted in 1946. It was made a part of the Hill-Burton Hospital Construction Act in 1946. It was adopted in the passage of the Vocational Rehabilitation Act of 1954.

The formula recognizes that we are one people and one nation, and that what affects one affects all. It is an objective formula which has been proved by experience. I hope that the committee will find no trouble going along with it and voting the amendments out in substantially their present form.

THERE MUST BE NO DELAY

When the first social security legislation was enacted a steak sandwich could be bought for a quarter, a shirt for a dollar, and private insurance companies were extolling the joys of retiring on a hundred dollars a month. Today, after two wars,, with almost continuous inflation, those figures would have to be quadrupled.

Social security benefits have changed since that day, too, but not nearly so much. We have not kept faith with the people who have looked to social security to preserve their dignity as individual human beings, as well as their mere physical existence. This is a burden of conscience which I, for one, do not want to carry through the long months before the Congress meets again.

(Off the record.)

The CHAIRMAN. I suggest we adjourn until 10 o'clock in the morning.

(Whereupon, at 12 noon, the committee adjourned, to reconvene at 10:20 a. m., Tuesday, August 12, 1958.)

SOCIAL SECURITY

TUESDAY, AUGUST 12, 1958

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, at 10:20 a. m., in room 312, Senate Office Building, Senator Harry Flood Byrd, presiding.

Present Senators Byrd (chairman), Kerr, Frear, Long, Anderson, Douglas, Martin, Williams, Bennett, and Carlson.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The committee will come to order.

Mr. A. D. Marshall is here. Senator Malone had further questions for him. Senator Malone is not here. So for the present we shall call Mr. Raymond W. Houston.

Please proceed.

STATEMENT OF RAYMOND W. HOUSTON, CHAIRMAN, COUNCIL OF STATE PUBLIC WELFARE ADMINISTRATORS, AMERICAN PUBLIC WELFARE ASSOCIATION, ACCOMPANIED BY PETER CAHILL, EXECUTIVE SECRETARY OF THE ILLINOIS PUBLIC AID COMMISSION; AND WILBUR COHEN, CONSULTANT, AMERICAN PUBLIC WELFARE ASSOCIATION

Mr. HOUSTON. Mr. Chairman, and members of the committee, my name is Raymond W. Houston. I am commissioner of the New York State Department of Social Welfare and I am here today in my capacity as chairman of the Council of State Public Welfare Administrators of the American Public Welfare Association to present the views of the council and of the association as a whole, on H. R. 13540.

I am accompanied by Mr. Peter Cahill, who is executive secretary of the Illinois Public Aid Commission, and Prof. Wilbur Cohen, who is consultant to the association.

Our association is a voluntary organization composed of administrators of, workers in, and friends of public welfare throughout the Nation.

This bill is in line with the legislative objectives of the association, which I shall file with my statement.

(The material referred to follows:)

FEDERAL LEGISLATIVE OBJECTIVES—1958

American Public Welfare Association—Prepared by Committee on Welfare Policy, approved by the Board of Directors, December 3, 1957

The American Public Welfare Association believes that the States and their political subdivisions have the primary responsibility for developing and administering public welfare functions in the United States. The Federal Govern-

ment has the obligation to develop nationwide goals and to use its constitutional taxing power to equalize the financing of public welfare so that public welfare services may be available on a reasonably equitable basis throughout the country. The association's legislative objectives are based on these premises and on recognition of the importance of encouraging self-responsibility and assuring humanitarian concern for individuals and families.

To accomplish these purposes the association believes that—

Contributory social insurance is an effective governmental method of protecting individuals and their families against loss of income due to unemployment, sickness, disability, death of the family breadwinner, and retirement in old age;

Public welfare programs should provide services to all who require them including financial assistance, preventive, protective, and rehabilitative services, and should be available to all persons without regard to residence, settlement, or citizenship requirements;

The benefits of modern medical science should be available to all; and to the extent that individuals cannot secure them for themselves governmental or other social measures should assure their availability;

Democracy has a special obligation to assure to all the Nation's children full opportunity for healthy growth and development.

These general principles are amplified in other policy statements approved by the board of directors of the association. The welfare policy committee of the association has reviewed all of these statements in the light of current needs and has developed specific legislative objectives for 1958. While the following list does not include all of the association's policy positions, it presents in condensed form those legislative objectives which are most likely to be of current significance.

PUBLIC WELFARE PROGRAMS

Scope of program

1. The comprehensive nature of public welfare responsibility should be recognized through Federal grants-in-aid which will enable the States to provide financial assistance and other services not only for the aged, the blind, the disabled, and dependent children, but also general assistance for all other needy persons.

2. Federal financial aid should be available to assist States in carrying out their responsibilities for preventive, protective, and rehabilitative services to all who require them.

3. The Federal Government should participate financially only in those assistance and other welfare programs which are available to all persons within the State who are otherwise eligible without regard to residence, settlement, or citizenship requirements.

4. The aid to dependent children program should be strengthened by providing Federal aid to the States for any needy child living with any relative.

5. Specific provisions should be made for Federal financial participation in the maintenance of children who require foster care.

6. Restrictions limiting use of Federal child welfare services funds to rural areas and areas of special need should be removed.

7. Federal financial assistance should be made available to the States in programs for the prevention and treatment of juvenile delinquency, including research and the training of personnel.

8. Additional Federal funds should be provided to the States to help meet the needs of mentally retarded and other handicapped children.

9. The category of aid to the permanently and totally disabled should be modified through eliminating the Federal restriction requiring a disability to be permanent and total and through eliminating the age requirement.

10. The Federal Government should participate financially in the development of specialized services for the aged, irrespective of financial need.

Methods of financing programs

11. The continuation of the Federal open-end appropriation is essential to a sound State-Federal fiscal partnership in all aspects of public assistance. Since it is not possible to predict accurately the incidence and areas of need, flexibility is necessary in financing public assistance programs.

12. Federal participation should be on an equalization grant basis provided by law and applicable to financial assistance (including medical care), welfare services (including child welfare), and administration.

13. No change should be made at this time in the Federal matching formulas which would result in a reduction in the Federal share of assistance, services, or administration.

14. Federal maximums on individual assistance payments should be removed. So long as Federal legislation sets maximums on Federal participation in public assistance payments, such Federal financial participation should be related to the average payment per recipient rather than to payments to individual recipients.

15. Federal maximums on medical-care payments in public assistance should be removed. Until such maximums are removed, provision should be be made both for matching of average vendor payments for medical care within any assistance ceilings and for maintaining the separate matching basis for medical care.

16. Federal aid for public assistance should be on the same basis for Puerto Rico and the Virgin Islands as for other jurisdictions. In particular, the annual dollar limitations on Federal participation should be removed.

17. The funds authorized and appropriated for child welfare services in the Social Security Act should be increased to an amount sufficient to stimulate and support the development of adequate State programs.

18. Provision should be made in the law for redistribution of Federal funds appropriated for child welfare services so that allotments not used by a State in any year could be redistributed to other States or could be made available to that State the following year.

19. The Federal Government in cooperation with the States should study the restriction on Federal financial participation in assistance payments to adults living in public nonmedical institutions.

20. The Federal Government should participate financially in the costs of any State and local civil defense welfare services.

21. Federal legislation should provide funds for repatriation from abroad of American nationals in need of assistance.

Administration

22. Adequate and qualified personnel are essential in the administration of public welfare programs. Federal financial participation in administrative costs of State welfare programs should be sufficient to enable States to provide for the adequate administration of all welfare programs.

23. Adequate Federal funds should be authorized on a permanent basis to assist States in training staff for State and local public welfare programs and moneys should be appropriated for this purpose.

24. Public welfare programs in which the Federal Government participates financially should be administered by a single agency at the local, State, and Federal level.

25. Federal, State, and local public welfare agencies should participate in and assist in the administrative coordination of all related programs in which there is Federal financial participation.

26. The administration of the Children's Bureau should be maintained within the Social Security Administration.

SOCIAL INSURANCE PROGRAMS

OASDI

27. The contributory old-age, survivors, and disability insurance program, as a preferable means of meeting the income-maintenance needs of people and as a means of keeping the need for public assistance to a minimum, should be strengthened by making benefit payments more adequate; by increasing the amount of earnings creditable toward benefits to keep that amount in line with current conditions; by providing benefits for disabled insured persons of any age and for their dependents; by extending coverage to earners still excluded. To the extent that these changes increase the cost of the program, contributions should be increased to insure the financial stability of the program.

28. Hospitalization costs of old-age, survivors, and disability insurance beneficiaries should be financed through the insurance program.

29. The funds of the insurance program should be available to help restore disabled people to gainful employment where it reasonably appears such expenditures would result in a net saving to the fund.

30. The membership of the Advisory Council on Social Security Financing, established by the 1956 amendments, should include representation from public welfare and its functions should be broadened to include responsibility for

recommending improvements in all aspects of old-age, survivors, and disability insurance, with particular emphasis on methods of keeping the program in line with current economic conditions and with changes in levels of living.

31. Adequate and qualified personnel are essential in the administration of the old-age, survivors, and disability insurance program. Federal funds should be made available for the training of staff in institutions of higher learning.

Unemployment insurance

32. The unemployment insurance program should be strengthened with respect to extension of coverage; adequacy of benefit payments and duration; and less restrictive eligibility and disqualifications provisions.

Other social insurance

33. Study should be given to ways of improving and extending temporary disability insurance benefits and workmen's compensation programs.

RESEARCH AND DEMONSTRATION PROJECTS

34. Federal funds should be authorized and appropriated for research and demonstration projects in all aspects of social security and public welfare.

RELATED PROGRAMS

35. The Federal Government should provide leadership, funds, and research for the promotion of health and the prevention of sickness and disability contributing to dependency. In particular, the amounts authorized and appropriated for maternal and child health and crippled children's services in the Social Security Act should be increased.

36. Federal financial participation in the vocational rehabilitation program should be available to serve all vocationally handicapped persons who present reasonable possibilities of attaining a vocational objective.

37. The Federal Fair Labor Standards Act should be amended to extend coverage and to increase the minimum wage in line with current conditions.

(American Public Welfare Association, 1313 East 60th Street, Chicago, Ill.)

Mr. HOUSTON. These objectives have been carefully thought out and long held by our association.

We find H. R. 13549 to be timely, progressive, statesmanlike, and necessary in all its many provisions.

We are pleased that the bill provides for cost-of-living increases in payments to the recipients of insurance. We note with satisfaction the many clarifying amendments with respect to the insurances which will, in some instances, extend coverage to people not presently covered.

Each extension of the insurances in terms of increased payments or increased coverage eventually results in lessening the number of those who need to turn to us for public assistance.

We are firmly convinced that the insurance way of meeting people's economic needs is preferable to the public assistance way.

However, we still have, and in the foreseeable future will continue to have, a considerable load of persons who for one reason or another do not qualify for insurance payments at all or in sufficient amount to meet their needs. These people are the charges of our public welfare forces.

While I do not wish to overemphasize the importance of the several provisions of this bill for increased Federal aid to the States in the public assistance programs as against the other important amendments, I would like to make these points:

1. The cost of living has increased for those on assistance as well as for those on insurance payments. Unless more dollars are given these people their buying ability, which I can assure you is presently

quite minimal, will be reduced still further. The funds must come from somewhere and we believe this bill provides for a continuation of Federal partnership with the States and localities in helping to meet the advancing cost of living.

2. There is scarcely a State or local appropriating body in the country which is not faced with deficit financing in an attmept to meet the needs of those out of work in the current recession who either are not covered by unemployment compensation or whose payments are exhausted.

Since there is no specific provision in this or any other bill we know of to meet the needs of the unemployed, we urge the formulas advances in this bill in the areas in which the Federal Government is already in partnership with us as an offset to the unemployment problem we face alone.

Now, I wish to comment on four provisions of this bill in the area of administrative improvements which, in the long run, may prove to be more significant than the advances in financial participation. These are:

1. The computation of grants for Federal reimbursement on the average rather than on the individual case basis: This device will result in an enormous reduction of computation and paper work, particularly in the high-grant States, which is now necessary to establish our claims for Federal funds.

Not only will the initial work of computing rolls at the local level, and of scanning them at the State level, be reduced but collateral records and processes (such as handling recoveries, refunds, and various adjustments) can also be simplified.

2. The variable grant principle: As you know, the bill provides for grants to the States on a variable formula ranging from 50 to 70 percent, based on each State's per capita income.

Coming as I do from a high-income State which would be, therefore, eligible for the lowest percentage of Federal reimbursement, the first and superficial reaction is to resist this device.

However, from the national point of view which is, of course, that of the committee, we endorse this principle as an association.

It is to the interest of all of us that needy persons, wherever found in the Nation, be cared for adequately and equitably. This variable grant device is the best anyone has yet come up with to help us approach this desirable goal.

3. Change in the method of payment for medical care: The 1956 amendments to the Social Security Act with respect to medical care is of great significance in encouraging the States to give medical aid.

They have resulted, however, in administrative difficulties in their methods of paying for medical care in some of the States.

This bill allows the States to return to their earlier methods of payment, either by direct payments to vendors or by adding medical costs to regular allowances to recipients in accordance with State and local desires and practices.

The elimination of the separate formula for medical care will also result in greater flexibility to the States in providing and accounting for the medical services we are expected to provide.

4. Removal of the rurality provisions in child welfare services funds: There was reason for concentrating on the care of rural children when the granting of such funds began.

However, we have now progressed to the point where it is safe to say that we have some child welfare services, private or public, reaching every rural area in our Nation. In fact, in my State, and I daresay in many others, our rural counties are more effectively organized than are our urban centers.

The greatest need for child welfare services now exists in many of our large urban centers by reason of sheer bulk of numbers and the gaps in services between a multiplicity of agencies with a diversity of interests. We, therefore, believe the use of these funds should be left to the judgment of the States, subject, of course, to approval by the Children's Bureau.

We are also greatly pleased to note the increased authorization for child welfare services contained in this bill. In relation to the numbers of children cared for and their importance for the future of our country, Federal partnership in this area has always been less than adequate.

All in all, we think this is an excellent bill and commend it to your thoughtful consideration. It constitutes an enabling act to the insurance people of the Federal department and the public welfare people to give more nearly adequate service more efficiently to the needy of our Nation.

If I may, Mr. Chairman, I would like to read a letter from Governor Harriman addressed to you as chairman.

DEAR SENATOR BYRD: I am writing to urge your thoughtful consideration and support for H. R. 13549 which will provide a much needed increase in social security payments.

The measure recently passed the House of Representatives by the overwhelming vote of 375 to 2 and is now before your committee.

As you especially well know, the cost of living has continued to rise throughout the period of the present recession. This has greatly increased the hardships of the many thousands of persons who have been out of work as a result of the recession and the failure of the national administration to take any concerted efforts to overcome it.

Here in New York State, in June of this year, our State and local welfare forces cared for 40,000 more people on our home relief or general assistance rolls than we did a year ago. We receive no Federal aid of any kind for this program which is concerned primarily with the victims of the recession-caused unemployment.

At the same time our general relief costs are rising owing to the unemployment situation, the costs of the State share of assistance to the aged, the disabled, the blind, and dependent children has been increasing because of the rising cost of living.

While the Federal contribution has remained fixed, the State contribution has had to be increased in order to offset price increases.

For these reasons the proposed increase in Federal contributions to our public assistance programs are most necessary, quite apart from the central effect of the measure which will be to increase by 7 percent the basic social security payments to old persons and survivors.

In addition the measure contains long needed administrative improvements which will result in some simplification of what has become one of our most complicated Federal-State programs.

Sincerely,

AVERELL HARRIMAN, *Governor.*

The CHAIRMAN. Thank you, very much, Mr. Houston. Any questions?

Senator KERR. Yes, I have some. Mr. Houston, I want to thank you for your appearance here.

Mr. HOUSTON. You are welcome.

Senator KERR. And say to you that I had to be in another committee and had been asked to be advised when you got here and I was told another was going to start it and then hearing you were being heard, I came down.

Your second paragraph on page 2 starts off with this sentence:

> The cost of living has increased for those on assistance as well as for those on insurance payments.

Have you analyzed this bill to where you would be able to advise the committee whether or not the increased benefits for those on old-age and survivors insurance is comparable in amount to the increases provided in this bill for those on assistance or is here any material difference and if so, how much?

Mr. HOUSTON. I can't say that I have analyzed it. Mr. Cohen, do you have any figures on that, that would be helpful?

Mr. COHEN. Well, Senator, I don't know how to answer that just in a sentence because the Congress increased the insurance benefits in 1950, and 1952, and 1954, but not in 1956, whereas they have increased the assistance in 1948, but not in 1950, in 1952, but not in 1954, and again in 1956.

So there have been sometimes when one was increased and sometimes when the other—but the fact of the matter is that the average assistance benefit in the United States, old age assistance we speak of now, is not higher than the average old age insurance benefit at the present time.

Senator KERR. So that from the standpoint then, Mr. Houston, of the necessity of the two, at least as good a case can be made for those on the assistance rolls as for those on the old age and survivors insurance.

Mr. HOUSTON. Definitely. I can give you some figures on our case costs in New York State. I don't have the national figures as to how they have increased in old age assistance.

For instance, in January 1956, our average grant was $82.07, and in June of 1958, it was $96.66.

Senator KERR. And that was based on necessities?

Mr. HOUSTON. That is right.

Senator KERR. In view, then, of the fact that in your opinion the necessity is as great for those on assistance as for those on the old age and survivors insurance rolls, certainly the two groups insofar as being entitled to the consideration of the Congress, have a similar worthiness.

Mr. HOUSTON. Very definitely.

Senator KERR. Under this bill, additional benefits are provided to those now drawing old age and survivors insurance none of whom will make a contribution to the money that will be collected and provided and thus made available to them in increased payments. Is that correct?

Mr. HOUSTON. Apparently.

Senator KERR. In other words, those that are already retired are making no contribution to the fund.

Mr. HOUSTON. That is right.

Senator KERR. The additional money available or to be made available to them will be procured from taxation on others than them.

Mr. HOUSTON. Yes.

Senator KERR. In the form of an additional tax on workers and employers.

Mr. HOUSTON. Yes.

Senator KERR. Now, therefore, actually—let me get one more question in. Money for those on the assistance rolls will be procured from tax revenue collected from all the people?

Mr. HOUSTON. That is right.

Senator KERR. And the benefits will be made available to all of the people in the Nation qualifying under the eligibility rules?

Mr. HOUSTON. Yes.

Senator KERR. That is correct, is it not?

Mr. HOUSTON. Yes.

Senator KERR. So that in reality, if there is a difference between the two, it at least in part consists of this situation: Those——

Senator LONG. Might I just interrupt to suggest the witness should answer verbally rather than nod his head for the benefit of the record.

Mr. HOUSTON. Yes, sir.

Senator KERR. On the one hand, a limited number of people, eligible only by reason of the fact that they are now receiving benefits under this program, would be receiving additional benefits by means of a tax on a limited number of other people; that is correct?

Mr. HOUSTON. That is right.

Senator KERR. While the assistance provisions of this bill are general in application, both as to the source of the revenue to be made available to them, and as to the beneficiaries being entirely general in classification and no one will be excluded in the Nation who is eligible under the specifications to participate in the program.

Mr. HOUSTON. That is right.

Senator KERR. Therefore, would it be reasonable to assume and to say that from the standpoint of justification of the two sections of the bill, the one with reference to the beneficiaries of the assistance funds are certainly as entitled to it and their receiving it is as much justified as is the case with reference to the other; is it not?

Mr. HOUSTON. That is our position; yes sir.

Senator KERR. How much, can you tell us how much moneywise, the additional benefits under this bill will amount to, to those on the old-age and survivors insurance and the other social-security program?

Mr. HOUSTON. I don't know the figures for the insurance program. Do you have those, Mr. Cohen? I do know that for the assistance programs.

Senator KERR. Well the assistance program is roughly $288 million.

Mr. HOUSTON. $288 million.

Senator KERR. Per year?

Mr. HOUSTON. Yes.

Senator KERR. Have you someone here who can tell us what the benefits in the other part of the bill are?

Mr. COHEN. The 7-percent increase in old-age and survivors insurance would roughly be in the neighborhood of $700 million per year.

So that the two together are roughly a billion dollars.

Senator KERR. But the amount of money going to the insured group, then, is about 2⅓ times as much as the amount of money going to the assistance groups.

Mr. HOUSTON. Yes.

Senator KERR. Is it possible under any considerations that you can think of, to sustain a position that the less than $300 million go-

ing to the one group would be inflationary, while the $700 million going to the other group would not be?

Mr. HOUSTON. I can't see that. I know the meager budgets these people we take care of live on; I can't see anything inflationary in that.

Senator KERR. Well, if there is anything inflationary in the $300 million, would it be 2⅓ times as much with reference to the $700 million?

Mr. HOUSTON. Actually——

Senator KERR. Can you reach any other conclusion, Mr. Houston?

Mr. HOUSTON. I can't.

Senator KERR. I can't, either. And I thank you very much.

The CHAIRMAN. Are there any further questions?

Senator MARTIN. I have none, thank you.

The CHAIRMAN. Thank you, Mr. Houston.

The next witness is Mr. John H. Miller.

Senator LONG. Mr. Chairman, might I just ask the previous witness one question before he leaves the stand?

The CHAIRMAN. Yes.

Senator LONG. I do know that this bill very much improves the matching formula for low-income States and I just wondered what your view is on increasing the matching maximum up to $70 as compared with the $66 that this bill would include.

Mr. HOUSTON. Well, answering that from the point of view of my own State, I can give you what we spend. It is $98 a month on old-age assistance—no; $96.66 a month—and when you increase the maximum to $70, you are certainly still not approaching what the State and localities pay. This is not being extravagant, in terms of what the people need.

Senator LONG. The only point that occurred to me about this bill is that this is a very favorable bill for low-income States and States that average low payments.

Mr. HOUSTON. Yes.

Senator LONG. In fact, it is extremely favorable for them. I know, for example, that for the State of California, which pays large amounts of taxes, the average increase would only be $1.66 because there would be so little additional Federal matching, the way the formula works out. It would cost about $40 million to increase the maximum up to $70, and it occurred to me that that would do more justice to the States that pay large amounts of revenue and get back small amounts in Federal matching to help care for their welfare load. Those States, incidentally, get the smallest percentage of Federal funds compared to their State funds; is that not correct?

Mr. HOUSTON. That is correct. In New York State, about a third of our money is Federal, as against some of the other States where a great deal more is.

Senator LONG. Now, compared to Mississippi, in that State they get almost 80 percent Federal matching, and this bill would make an even more liberal matching on the part that goes beyond the first $30.

Mr. HOUSTON. However, from the national point of view, as I tried to make clear in my testimony, we are interested, in the public-welfare field, in seeing that all the people who need it get equal care throughout the country.

Senator LONG. I understand that, even if your State would not be a particular beneficiary, even though you pay a lot more taxes than you get back in terms of Federal matching, you still think, for the overall national good, this should be done?

Mr. HOUSTON. That is right.

Senator LONG. You would favor increasing the maximum, I would take it, as high as $70?

Mr. HOUSTON. Yes, sir.

Senator LONG. Thanks very much.

Senator WILLIAMS. May I ask what steps has New York taken to increase their payments?

Mr. HOUSTON. To increase their payments?

Senator WILLIAMS. Yes.

Mr. HOUSTON. Well, they are going up all the time, as I stated before. The payment for old-age assistance has increased the last 2½ years from $82 to $96. Payment in aid to dependent children, the average grant has increased since January 1956 from $140 to $152.

The CHAIRMAN. Thank you, Mr. Houston.

Mr. John H. Miller. Take a seat, sir.

STATEMENT OF JOHN H. MILLER, REPRESENTING THE AMERICAN LIFE CONVENTION, THE HEALTH INSURANCE ASSOCIATION OF AMERICA, AND THE LIFE INSURANCE ASSOCIATION OF AMERICA

Mr. MILLER. Mr. Chairman and members of the committee, I am John H. Miller, vice president and senior actuary of the Monarch Life Insurance Co., of Springfield, Mass.

I appreciate this opportunity to appear today and present the views of the American Life Convention, the Health Insurance Association of America, and the Life Insurance Association of America on the proposed social-security amendments contained in H. R. 13549, the bill before your committee. The American Life Convention and the Life Insurance Association of America have a combined membership of 275 companies, accounting for approximately 96 percent of the legal-reserve life insurance in force in the United States. The Health Insurance Association of America has a membership of 264 companies, writing in excess of 80 percent of the voluntary health insurance in force in the United States and Canada.

While my testimony will be confined to some major proposals contained in H. R. 13549, you have before you a copy of the statement, Sound Policy for Social Security, recently published by the American Life Convention and the Life Insurance Association of America. It is based on comprehensive study of the Nation's social-security structure by insurance-company executives.

Despite some good features, H. R. 13549 is a lengthy, complex bill containing a number of provisions of questionable wisdom. It is in no sense emergency legislation. On the contrary, its major effects would be felt mainly over the decades ahead. It would be far preferable for social-security amendments to receive full consideration at the next Congress than for hasty action to be taken now.

It may be observed that the social-security hearings recently conducted by the House Ways and Means Committee related to over 500 bills pending before that committee. Witnesses had no way of

knowing what provisions might subsequently be incorporated in the bill now before you, and, consequently, they could not focus their testimony on such provisions. There was little, if any, testimony on many parts of H. R. 13549 that should have careful study before final action is taken.

In my time today I will comment only on the parts of the bill which raise OASDI benefits, which increase the limit on taxable earnings, and which liberalize the disability provisions of the law.

Past liberalizations in the OASDI benefit structure were primarily intended to maintain the purchasing power of the benefits in the face of cost-of-living increases. In 1950, the liberalizations restored the purchasing power which benefits had lost during the war and post-war inflation. A further price increase over the next 2 years was offset by the liberalizations in the 1952 amendments. In 1954, however, benefits were increased by some 15 percent more, although the intervening increase in prices was negligible. As pointed out by an insurance witness at the time, an imbalance between benefits and living costs was then created.

The increase in living costs of some 7 percent since 1954 has, consequently, tended to restore the historic relationship between the OASDI benefit level and the level of consumer prices. A further benefit increase at this time is unneeded, and would create a new imbalance.

Moreover, we believe it is poor policy to liberalize benefits whenever there is a small increase in the price level. Benefits would hardly be reduced if a decline in prices should occur. Price changes, we believe, should be observed over fairly long periods, with benefit changes avoided except as needed to follow the long-term trend.

The limit on annual earnings taken into account by OASDI, now $4,200, serves as a major dividing line between the responsibility of OASDI to furnish basic protection and the responsibility of voluntary mechanisms—such as private pension plans, personal savings, and insurance coverages—to furnish the additional protection that groups and individuals may choose to build for themselves. Where this dividing line comes is consequently an important matter that should be carefully resolved on a basis of sound principle. Yet our studies bring out that Congress has not in the past applied any clear cut or definite principle in legislating on the OASDI earnings' limit.

As a result of our studies, we are convinced that the guiding principle should be one of maintaining the limit at a point not to exceed the average earnings of regular, full-time workers. For higher-than-average earnings to be taken into account by OASDI would simply mean that extra, unneeded benefits would go to the minority of persons who have had such above-average earnings. These are the very people best able to build their own extra protection on a voluntary basis.

Under the principle we urge, no increase in the $4,200 figure is warranted at this time—the earnings of regular full-time workers now averaging about $4,100. It has been suggested that because full-time male workers now earn an average of about $4,400, an increase in the present figure would be justified. However, the system applies to both male and female workers, and the earnings of both should be taken into account in establishing the earnings' limit. And even if

males alone are considered, an increase to as high a figure as $4,800 is not justified.

It is true that if the earnings limit were increased, the extra taxes collected would exceed the cost of the extra benefits paid, with the excess available to finance other benefits of the system. In our judgment, this is not a sound justification for an increase. The group earning somewhat over $4,200, who would provide the extra funds, already pay more than their proportionate share of social security costs.

When amendments adding cash disability benefits to the OASDI system were considered by Congress in 1956, insurance witnesses were opposed to them. That opposition was based largely on insurance company experience in underwriting total and permanent disability benefits. Costs of the present program, it was emphasized, will in all likelihood come to exceed original estimates as the program matures and is exposed to administrative and economic pressures.

There have been no developments since 1956 which would alter this view. Consequently, we deem it unwise to liberalize disability benefits—at least until more knowledge of emerging costs is obtained. A cushion in the disability trust fund, which appears to exist as the result of 1 year's experience, is not a sound basis on which to finance liberalization.

The bill's proposal to provide benefits for the dependents of disability beneficiaries would seem particularly inadvisable. In many instances the family's benefits would be nearly as great as the previous earnings of the individual when fully employed. Consequently there would be little financial incentive for him to overcome his handicap and resume gainful activity—none, in many instances, if the offset provisions are eliminated as the bill proposes. Yet, adequate incentives are recognized as being of vital importance to successful rehabilitation programs.

I would like to emphasize here that under the schedule the maximum family benefits over quite a range are about 80 percent of wages, which is a higher ratio of insurance than insurance companies have found feasible to offer. We feel that this high ratio is a very disturbing feature of the proposal.

In the final analysis, we are forced to conclude that the bill under consideration would liberalize the system when a need for such liberalization has not been adequately demonstrated. To the extent that disability benefits would be expanded without sufficient experience in this area or an increase in the disability tax, the bill would jeopardize the financial stability of this portion of the system. While we commend the policy of providing tax increases sufficient to defray the costs of increased OASDI benefits, the full impact of taxation necessary to support the system has not yet been felt.

Thus, in the long run it would seem desirable to keep taxes at a minimum so as not to overburden the economy. This cannot be done if benefits are increased at frequent intervals without regard to the sound principle that social security should furnish only a basic floor of protection.

The CHAIRMAN. Thank you, Mr. Miller.

Are there any questions?

Senator ANDERSON. Let me ask you this: You give us a booklet here, entitled "Sound Policy for Social Security," and the name of the

committee that has worked on it. To what degree are these pronouncements by the life insurance industry reviewed by the board of directors of these companies for whom they presume to speak?

Mr. MILLER. They are thoroughly reviewed, sir, by the boards. This, as I mentioned, speaks for the American Life Convention and the Life Insurance Association of America. I believe it is not in conflict with the views of the Health Insurance Association. It was prepared by a joint committee of the two life insurance organizations of which I am currently chairman, and was referred to the ALC executive committee and the LIAA board after thorough study by this committee. Each reviewed and approved the statements.

Senator ANDERSON. Well, now, you have got the Mutual Life of New York here, the first one, and Equitable Life later on down; as a policyholder, what chances do I have to express myself through the company, or any other policyholder?

Mr. MILLER. Well, if you or any policyholder were to write to your company, expressing yourselves, I am sure they would be communicated to the social security committee of the trade associations.

Senator ANDERSON. The life insurance companies are always seemingly opposed to these increases in social security, and yet has life insurance grown very rapidly while the social security statutes have been on the books?

Mr. MILLER. It is true that life insurance has had a great growth and to some degree that has been stimulated, most people believe, by social security which has provided a floor on which to build.

However, a great deal of the growth has been merely catching up with the changing value of the dollar, and the growing population. The figures produced by the Institute of Life Insurance will show that the ratio of insurance to earned income, personal income, dropped from around 1929 or 1930 or 1932, which I guess was the high point, dropped until only a few years ago. It is only within the past couple of years that the ratio of life insurance to personal income has been restored to its balance—to the level of the early thirties.

Senator ANDERSON. Are you an actuary?

Mr. MILLER. Yes, sir.

Senator ANDERSON. Would you regard 1932 as a fair sample? You know that income was at its lowest point and, therefore, the amount of insurance compared to income would have been at the most favorable period; would it not?

Mr. MILLER. Yes. Well, I have mentioned 1932 as being the high point, but if you take, as I remember the figures—unfortunately I don't have them right here, but if you take a range of years, from approximately 1927 into the early thirties, it is my recollection of these figures that that ratio was higher than we have subsequently seen.

My own appraisal is that social security has worked in two ways. To many individuals it has provided a base on which they were encouraged to add more.

To the others, it has provided additional insurance which has made them feel they didn't need to buy any more. Perhaps the two more or less offset each other.

Senator ANDERSON. I think it is just the reverse, in effect. Every time something is taken out of a paycheck and a man is reminded he

is taking care of his future, he is a much more willing customer of a life-insurance company which says, "You have got this program started, we will help you round it out," and I think the sale of life insurance would tend to confirm it. I think you are working hard against the thing that has helped you most. That is my view.

Mr. MILLER. We are not opposed to social security basically, in fact the life-insurance industry has supported it, and——

Senator ANDERSON. Did it support it in 1935?

Mr. MILLER. We have in the hearings before the House Ways and Means Committee, if I may refer you to a statement on page 604, documenting the position of life insurance from 1935, particularly 1935 and 1939, when the program was created. The record shows that the insurance industry did not oppose, and many individuals from the insurance industry cooperated with Congress and with the original advisory committee in formulating the program.

Senator ANDERSON. You didn't see any of the statements made about that time about how communistic it was?

Mr. MILLER. There were many diverse opinions expressed by individuals but I would like to call your attention to one statement in this record I referred to in which it is recorded that the insurance companies declined to join with a group that wanted to question the constitutionality. There was never any insurance approach that opposed social security in its formative years.

Of course, there are as many insurance individuals with varied views as there are in any other walks of life.

Senator ANDERSON. I am very happy that life insurance has grown, and very happy that it continues to grow.

I have just never been able to understand the American Life Convention and the Life Insurance Association of America in taking a dim view each time of these increases in social security, when during the same period their business has grown more than it's ever grown and probably due to the fact that every time there is a payment taken out for social security, there is a silent salesman helping them on with their job, in my opinion.

Senator LONG. May I just ask a question, Mr. Chairman?

The CHAIRMAN. Senator Long.

Senator LONG. Can you tell me of anybody who has a more complete record in this Congress of coming before us to demand everything for himself and nothing for the other fellow? Your people came here wanting $125 million tax relief for your companies and I voted for you people on that, and then when we come along and try to do something for people who have found the cost of living going up 7 percent, you say, "Oh, no, just a 7-percent increase in cost of living should not make any difference."

Let me tell you a person trying to live on a little $30 a month check or a $100 a month check finds $3 or $7 a lot of difference.

We have a little bill to try to let some veterans take out their service life insurance and you people are fighting that. I don't know anybody benefiting from this Congress more than your companies and yet every time there is some legislation for some needy or old person, you are opposed to it.

Do you know of anybody who has a more consistent record of getting everything for yourself and being against every other person?

Mr. MILLER. Senator Long, with respect to our position on the increases here, I believe you will note that our testimony has mainly to do with the maximum. Our feeling is that the people above average have the means and should have the incentive to supplement this basic floor of protection.

What is done at the lower side would not be contrary to our policy, and I don't recall that we have ever opposed increases at the lower scale.

Senator LONG. You would be prepared to admit, would you not, that there is nothing in this bill that would compare in any respect to what, in benefits, we do for your companies? In other words, no individual under this social security bill is going to benefit anything like the extent to which your companies benefited by the bill we passed to help them with their tax problems at the beginning of this year?

Mr. MILLER. That was a temporary bill pending further study, and the matter is under intensive study now both by the Treasury Department and your committee, I believe, and the insurance industry.

Senator LONG. Well, here is my point now: When you people come in here and say you are in trouble, I sit here and vote for you to help you with your problems, and I get criticized in Drew Pearson's column and chastised all sorts of ways for voting for retroactive tax benefits. You are the only people who have had retroactive tax relief in a long time so far as I recall. Why can't you be content to help somebody else for a change rather than coming in and testifying against them?

Mr. MILLER. Well, our concern, as I mentioned before, is primarily with the maximum benefits, the raising of the wage base, which applies mostly to the maximum end of the scale.

For example, under this proposed legislation, while the man at the lower end of the scale gets $3 a month, the increase at the upper end of the scale is as much as $54 a month.

We would like to see the range narrowed a little bit so that we preserve this concept of a floor of protection, giving what is needed to those at the lower scale of the income bracket, leaving more room for individual incentive and initiative. With respect to the company taxation, as I mentioned, several committees of the industry are working on that, and have been working with the Treasury Department. The American Life Convention, and the Life Insurance Association of America recently addressed a letter to Senator Byrd, and to Congressman Mills, explaining the efforts that are being made to work out a proper and equitable tax for life insurance.

Senator ANDERSON. Did you recommend that the Mills bill be made permanent?

Mr. MILLER. I couldn't speak on that. I haven't been as close to the tax work as I have to the social security.

Senator ANDERSON. You didn't read the letter, then?

Mr. MILLER. I believe I have it here, sir.

Senator ANDERSON. I mean you didn't read it, you don't know what was in it?

The CHAIRMAN. I received a letter this morning and I haven't had a chance to study it. It is 3 or 4 pages.

Mr. MILLER. The letter I refer to is dated August 6, 1958.

Senator ANDERSON. Did it recommend the Mills bill be made permanent with one slight adjustment?

Mr. MILLER. The letter states in part:

> Under these circumstances, we hope every effort will be made to enact permanent legislation prior to March 15, 1959, and thus prevent the unjust tax burden that would result from the 1942 law—

and the letter explains the activities of these various committees.

The CHAIRMAN. Are there any further questions?

Thank you very much, Mr. Miller.

Mr. Albert C. Adams, National Association of Life Underwriters.

Mr. DUNAWAY. Mr. Adams, who is the president of my association, was our scheduled witness. He was scheduled to appear yesterday.

He was here, but unfortunately, due to a prior business commitment, he could not remain, so he has asked me to extend his apologies and to express his hope you will understand his absence.

The CHAIRMAN. Give your name, please.

Mr. DUNAWAY. Yes, sir.

The CHAIRMAN. Senator Long will act as chairman during the chairman's absence.

Senator LONG. Proceed, sir.

STATEMENT OF CARLYLE M. DUNAWAY, GENERAL COUNSEL, THE NATIONAL ASSOCIATION OF LIFE UNDERWRITERS

Mr. DUNAWAY. My name is Carlyle M. Dunaway and I am the general counsel of the National Association of Life Underwriters.

For your information, our organization is a trade association representing a membership of over 73,000 of the leading life-insurance agents in America.

My purpose in appearing here today is to express our association's opposition to those provisions of H. R. 13549 which would further liberalize the Federal old-age and survivors insurance program.

Our witness, Mr. Adams, had a prepared statement. With your permission, I would like to have that statement made a part of the record and to spend the 10 minutes alloted to me in giving you a brief summary of its contents.

Senator LONG. That will be done.

Mr. DUNAWAY. There are six principal reasons why we are opposed to any further liberalization of the OASI program at this time:

First, at the present time, our country continues to be faced with two grave economic problems: The first is the threat of further inflation; the other is the current recession.

In our opinion, the enactment of H. R. 13549 would have a strong tendency to aggravate both of these problems and to delay their solution.

Senator LONG. Let me ask you this question: Didn't that bill we passed for the benefit of the insurance companies have that same effect? If it is inflationary to spend some money to give some benefits to the needy aged and those who are retired on these small pensions, wouldn't it be similarly inflation to tend to create a deficit by passing a bill to give your companies $128 million of tax reductions?

Mr. DUNAWAY. Excuse me, sir. In the first place, I represent the life-insurance agents. We have not been familiar with or directly concerned with the company life insurance companies income-tax problem, so I am not qualified to speak on it.

However, I do think I ought to call your attention to this. You were speaking to Mr. Miller a while ago as if some giant corporations were getting a tax windfall out of the relief that you gave them earlier this year.

It occurs to me, sir——

Senator ANDERSON. Weren't they? One company got $20 million. Weren't they?

Mr. DUNAWAY. It just occurred to me, sir, and I would rather have the company speak on this, that these companies, as such, are largely made up of policyholders.

The taxes that you put on the companies are largely reflected as a tax on the savings of these policyholders.

Senator LONG. How much are their reserves?

Mr. DUNAWAY. How much are the company reserves?

Senator LONG. Yes.

Mr. DUNAWAY. I would say——

Senator LONG. How much are the reserves today, gross?

Mr. DUNAWAY. Subject to correction, by my company friends in the back of the room, I would say they were something in excess of a hundred billion dollars.

Senator LONG. That is a hundred billion they haven't paid out yet, isn't it?

Mr. DUNAWAY. That is right. I might add it is a good thing they have a hundred billion so they can back up their claims.

Senator LONG. You are familiar with the fact, though, that the rate upon which you people sell this insurance is a conservative table that was made up a long time ago. People are now living a lot longer, so it is a much better gamble for the insurance companies than it was at the time the tables were made up. You are familiar with that, are you not?

Mr. DUNAWAY. Yes; as a matter of fact, there is currently being studied a revision of the mortality tables to reflect the more favorable experience in recent years.

Senator ANDERSON. The only one point I made was that I recognized that with regard to mutual companies you might be able to say that it was reflected in dividends to policyholders.

But does that apply to a single stock company? Are you familiar at all with the increase in the prices of stock of life-insurance companies?

Mr. DUNAWAY. Senator, if I may beg off in answering that I would like to.

Senator ANDERSON. Don't get into it, if you don't want to go all the way.

Mr. DUNAWAY. I was asked the question.

Senator ANDERSON. This is a sore spot with lots of us; Senator Long was on one side and I was almost alone on the other.

Mr. DUNAWAY. I would suggest, sir, if you want to get an authoritative answer we have people in the back of the room familiar with the income-tax problem, and for your own benefit you should direct it to them.

Senator ANDERSON. You said a few millions here would be inflationary. Was it not inflationary to add $125 million there? Now the testimony was that this would increase the deficit. There was testi-

mony, that I heard Mr. Flemming give, that it is going to increase our deficit at a time when they are only $10 billion to $12 billion in the red.

That was not the argument they made against the retroactive tax reduction of the life insurance. That put us $125 million in the red.

It was not a bit inflationary to do that. It was sound, solid economics. [Laughter.]

Senator BENNETT. Mr. Chairman, I would like to suggest that we are studying social security.

Senator ANDERSON. He started it. [Laughter.]

Senator BENNETT. Well, regardless of who started it, I suggest we declare a truce and go back to social security.

Mr. DUNAWAY. Could I just say this, sir: I think the companies and the Congress have enough of a problem in that particular field without my contributing to the difficulty of solving it. [Laughter.]

Senator ANDERSON. Very well; but don't say that is inflationary, then. You talk about it——

Mr. DUNAWAY. Well, sir, I haven't gotten to the point where I said it was inflationary yet. You are anticipating me. [Laughter.]

Senator ANDERSON. I know what the line is. You are all selling the same line.

Mr. DUNAWAY. I don't want to disappoint you, sir, so I will continue. [Laughter.]

Senator ANDERSON. You don't have to read it in advance. You know what is coming and so do I.

Mr. DUNAWAY. As you know, H. R. 13549 would require significant social security tax increases effective January 1, 1959.

These increases would have their greatest impact on people earning above $4,200 per year. For example, in the case of an employee earning $4.800 or more, in 1959, the combined employer-employee tax would be $240 as against the $189 that would be called for under present law.

In the case of a self-employed individual in the same income bracket, the new tax would be $180 as against the present $141.75.

Since the employer's share of social-security taxes is to them simply another cost of doing business, any increase in these taxes would, where possible, be added to the prices that consumers of their goods and services must pay.

Self-employed individuals would follow the same pattern in dealing with their consumers.

This, in turn, would undoubtedly lead to successful demands for higher wages by many of these consumers.

The result would be new inflationary pressures, adversely affecting not only your working population generally, but present OASI beneficiaries as well.

At the same time, the proposed increase in social-security taxes would add to the total tax burden of the working population to provide increased OASI benefits from which they would derive no immediate return.

Thus to the extent that gainfully employed taxpayers were unable to obtain offsetting increases in wages or other income, the probable effect of an increase in social security taxes would be to curtail their

purchasing power still further and consequently to impede recovery from the current economic recession.

At this point, perhaps I should say that in spite of the factors that I have just mentioned, a social security tax increase might be justifiable if it were derived solely from an increase in the tax rates themselves and if it were not accompanied by an increase in benefits. It would at least have the salutary effect of strengthening the OASI program financially by eliminating or materially lessening the actuarial deficiency that the Department of Health, Education, and Welfare, and the House Ways and Means Committee, have found to exist in the program.

However, we must strenuously object to achieving a tax increase by raising the taxable wage base from $4,200 to $4,800 as proposed in H. R. 13549.

We believe that this procedure is particularly undesirable for at least two reasons:

First, any further increase in the wage base would strike you as being principally a rather devious move toward the socialistic goal of income redistribution.

Second, it would result in the payment of somewhat higher benefits to the very people who are best able to take care of themselves, namely, those with above average earnings.

This latter result would tend to destroy the essential floor of protection design of the OASI program.

It is conservatively estimated that the OASI program has to date incurred an unfunded accrued liability in excess of $300 billion. This accrued liability will have to be met largely by the social security taxpayers of the future.

Any further liberalization of the program now would necessarily increase this enormous commitment and, of course, the already heavy social security tax burden on which tomorrow's taxpayers have been committed under existing law.

Therefore, any further liberalization of the program today would, in our opinion, be an act of economic injustice to these taxpayers and possible serious threat to the program's long-range solvency.

Third, past OASI benefit increases have in all cases at least kept pace with and in many cases have substantially outstripped increases in the cost of living.

For example, while the cost of living increased only 105 percent between the year 1940, the year in which OASI benefits were first paid, and 1958, maximum benefits for single retired workers and for retired workers and their wives increased 163 percent.

Maximum family benefits during this period increased 135 percent.

Accordingly, the argument that further benefit increases are now justified by the increased cost of living is invalid.

Fourth, data gathered by our association from various parts of the country relating to the minimum income needs of elderly retired people furnish strong evidence that such people can make out very well on present maximum OASI benefits.

Senator ANDERSON. Could you tell me what page you are reading from?

Mr. DUNAWAY. Sir, I am giving a summary, it would have taken me more than the 10 minutes to follow that complete statement, I beg your pardon.

Senator ANDERSON. That is all right.

Mr. DUNAWAY. It is true many of these people, particularly if they chose to live in high cost areas after retirement might find it necessary or at least desirable to supplement their benefits through the medium of part-time employment or private pension insurance or savings programs or both.

However, this is exactly what they are supposed to do inasmuch as the OASI program is intended to furnish only a basic floor of economic protection.

While we think it can be demonstrated that maximum OASI benefits are already quite adequate, it may be argued that the average benefit falls short of purchasing the desired basic floor protection.

However, the answer to this argument is that the closer the program approaches maturity, the closer the average benefit will approximate the maximum benefit.

For example, the average benefit for men who came on the OASI rolls prior to the 1954 amendments, is now approximately $66 per month, while for those who came on the rolls in the last 6 months of 1957, the average benefit is about $78 a month.

Thus, the problem posed by those who draw the average benefit and who have insufficient private resources is a relatively short-range problem, which, as I have already indicated, will tend to disappear as the program matures and stabilizes.

Therefore, if these people must be helped in the meantime this help should come through some form of public assistance.

For Congress to raise the average OASI benefit at this time by increasing all benefits across the board, would simply mean that those drawing maximum benefits would wind up receiving more than they need.

Fifth, in adopting the 1956 Social Security Amendment, Congress created an Advisory Council on Social Security Financing to study, among other things, the long-range commitments of the OASI program and their relationship to the cost and financing of the program.

This Advisory Council is now in the process of doing the job assigned to it and will have to report to Congress not later than January 1, 1959.

Since Congress itself created the Advisory Council to do the very job it is now doing, it would seem to us to be completely premature for Congress to do anything now by way of liberalizing the program without first getting the Advisory Council's report.

Sixth and finally, in each of the past 4 election years, 1950, 1952, 1954, and 1956, Congress has materially liberalized the OASI program.

In 1950, 1552, and 1954, these liberalizations included substantial increases in the level of benefits, the aggregate increase for the 3 years in question being on the average somewhat over 105 percent and much more than that the maximum benefit level.

While it is true that the level of benefits was not increased in 1956, Congress then added a new program of total and permanent disability benefits for covered workers at age 50, lowered the retirement age for women from 65 to 62, liberalized eligibility requirements in certain respects, and so forth.

Because of this pattern of election year liberalization, more and more people are coming to look upon the OASI program as being a political football.

We feel unless Congress asserts leadership and puts a stop to this trend, it could well result in people's losing of confidence in the soundness of the program and eventually, perhaps, even the ruination of the program.

Senator LONG. You have expressed a cynical philosophy of government that I have heard expressed here before, and I even hear some Senators and Congressmen express it.

I guess it represents a so-called conservative point of view that if an elected official has to go before the public to seek their approval then his actions are not likely to be in the public interest. That is a philosophy you express here today about Congress voting in an even-numbered year to liberalize social security benefits or to expand that program.

Mr. DUNAWAY. Well, Senator, I didn't mean to sound personally cynical here, but I can't help observe that more and more newspapers, for example, are editorializing along that line.

Senator LONG. Well, you are saying here, if I understand it, that a bill that would benefit 14 million aged people, although it would not benefit your particular companies, if passed in an even-numbered year, that in itself tends to prove that it is not in the public interest.

Mr. DUNAWAY. Sir, I am not saying necessarily it is not in the public interest, although, it seems to me that in evaluating what best serves the public interest——

Senator LONG. Don't you think the public is fairly well competent to decide? If I understand it correctly, the burden of your argument is that the public is not very well able to decide what is in the public interest.

Mr. DUNAWAY. Well, I didn't quite finish. As I was saying, it seems to me in order to properly evaluate what best serves the public interest, you have to consider not only the roughly 12 million people who are on the OASI benefit rolls, but the 65 million people who are now working and paying taxes to support those 12 million people.

Senator LONG. Who will ultimately be on the rolls, themselves, if they live.

Mr. DUNAWAY. And in addition, and most important, it seems to me, I think we ought to give some attention to what is going to happen to those taxpayers who come on, who start working next year and 10 years from now and 20 years from now. They will be the people who will pay the real load, the real tab for what we are doing today.

Senator LONG. That is the great majority of people and I take it that you don't feel that, based on your statement, that they are competent to decide whether Congress has voted in their best interest?

Mr. DUNAWAY. Well, may I say this, perhaps you will think me cynical, sir, but it seems to me it is easy enough for 12 million people, who are receiving benefits today, to encourage Congress to give them more benefits, when they are not going to have to pay for those benefits.

It is easy enough for me to sit back and say, "Give me a gift that is going to be paid for by somebody else." And that is exactly what you do every time you liberalize the OASI program.

Senator LONG. Of course, the 65 million people who pay into this know about it too, don't they?

Mr. DUNAWAY. I am afraid not too many. In fact, I will say this: It is my guess that not over a very small fraction of 1 percent of those

65 million people have the slightest idea of what social security is all about—how it is financed, what the ultimate cost is going to be on their children and grandchildren—how much or how little they paid for their benefits, or any of the other very important features of the program.

Senator LONG. I have had some experience in running for office at a time when the public had paid the cost before they had seen the benefit.

I ran for office at a time when the taxes in my State had been increased by 50 percent in a single session of the legislature to pay the expense of a program that, in the main, was to provide for the aged in the State and that was before the people got their benefits.

I managed to be elected in spite of that. I had supported that program very actively, and my impression would be that the public, rank and file, is willing to pay for the support of the aged and needy. Oddly enough, here you are suggesting that the people who pay for these things are not being benefitted, that it is against their best interest. Also you say this is in an election year and you should not pass it in an election year. I don't understand your logic or your attitude that the public does not know what is good for the public.

Mr. DUNAWAY. Well, I get back to my point that I think—I may be wrong, but I think personally, that a lot of the pressure for these increased benefits is coming from the people who are already on the beneficiary rolls and I get back to this: They are the very people who already pay absolutely nothing for these increases, and so it is quite easy for them to say, "Well, let's have an increased benefit this year because somebody else is going to pay for it."

Incidentally, sir, yesterday, I believe, Mr. Marshall was on the stand up here, and he was referring to the great disparity between the amount of taxes which, covered employees have paid into the program and the amount they stand to receive in benefits. He referred to a friend, a life insurance company president, who had retired apparently, and with his wife is now drawing benefits. I understood Mr. Marshall to say that this man and his wife, within a period of less than 3 years, would get back in benefits more than he had paid in taxes.

Well, as a matter of fact, Mr. Marshall was quite, I don't know whether to say liberal or conservative, in his statement. Because doing some rough arithmetic, I find that this man and his wife, assuming that the man has paid taxes on the maximum wage bases ever since he was covered under social security, would through the year 1957 have paid only $931.50. Even if you take in his employer's contribution that would be another $931.50. So from the beginning of the program, and I assume he was covered from the beginning, through the year 1957, the most that he and his employer paid in taxes would have been $1,863.

Now, if he and his wife are drawing maximum benefits, in 1 year's time, they will draw $1,953.60.

So in less than 6 months, this man will recover all of his contributions to the program and in less than a year, he will recover both his and his employer's contributions.

I would just like to have that on the record to show that there is this great disparity between what people pay in as of now, as against what they draw out, and that is a very important feature, sir, that very few people understand.

I was talking the other day to a man whom I consider to be highly intelligent. He was a highly placed executive of a telephone company, and the question was asked him, I forget how it came up, the question was asked him whether or not he had paid for his social security benefits. He said: "Why certainly."

Well, I showed these figures to him, I told him that through the year 1956 he couldn't have possibly paid over $837. I pointed out what his benefits would be if he lived out his life expectancy and he was absolutely amazed.

This was a supposedly intelligent informed man who didn't know what the score was, and I get back to saying I don't believe over a small fraction of 1 percent of the people either drawing benefits now, or those who are working and paying taxes, know what it is all about.

Senator LONG. Don't know what a good thing it is for them, you mean?

Mr. DUNAWAY. Oh, no; that is right; yes. [Laughter.]

They don't realize they are getting a tremendous bargain.

Senator LONG. Any further questions?

Senator ANDERSON. May I ask this, I note here your observation that in each of the past four election years, 1950, 1952, 1954, and 1956 these benefits have been liberalized and it is becoming more and more of a political football.

In 1950, there was House Joint Resolution 371, relating to insurance taxation, taxation of insurance companies and that passed both the House and Senate in that election year.

Then in 1952, H. R. 7876, extending that six and a half formula was passed in that election year.

Then, in 1954, I was shocked to find that a conference was held between the life insurance representatives and the members of the new House subcommittee and finally on June 18, the Senate Finance Committee reported this H. R. 8300 they had worked out. It was finally passed in an election year.

That worried me but I got to 1956 and in February and March, the Senate Finance Committee approved H. R. 7201 with certain amendments relating to this insurance taxation.

Now here we are again in 1958, and in this election year we passed this retroactive tax reduction for the insurance companies saving them this $124 million.

Don't you think it is sinister the way these things come up in an election year? [Laughter.]

Mr. DUNAWAY. Senator, may I say once again, that my poor colleagues in the life-insurance company ranks are already beset with enough problems in trying to get this money issue resolved to the satisfaction of both the Government and the insurance business. I certainly don't want to be the one to create any further difficulties.

Senator ANDERSON. Don't try to fool us with this stuff. We are not children on this committee either.

Mr. DUNAWAY. No, sir, as I tried to explain to Senator Long. I am merely observing from what I read in the newspapers that more and more editorials are being devoted to that very idea.

Even the Washington Post the other day—I was surprised—came out and questioned the wisdom of Congress doing anything this year

until they got the report of the Advisory Council; and for the Washington Post, this is pretty serious. [Laughter.]

Senator FREAR. Heresy.

Senator LONG. Let me just say this, sir, I haven't seen a single witness here who appeared as one of these aged and needy people in our land.

I can recall when I first came here how discouraged I was as one who expected to vote to raise the minimum wage to $0.75 an hour. Every time the chamber of commerce would meet in a large city in my State, the next day my desk would receive at least 150 wires, from businessmen of consequence, urging me to vote against raising the minimum wage.

I let them sit on my desk until I had more than a thousand wires from influential people urging me to vote against increasing the minimum wage before I finally got the first little handwritten note in pencil from somebody saying, "Won't you please vote to increase that minimum wage?"

Those people didn't even know there was such a bill before Congress. I am pleased to listen to you and the rest of those who speak for corporation executives. However, there are a lot of other people involved here and they don't have many spokesmen, but they are very much interested and very much concerned because they need some additional protection that your companies are not providing for them.

Mr. DUNAWAY. Excuse me, I want the record to clearly show this, I am not here speaking for any corporation executives; if I speak for anyone and I hope I do, I speak for 73,000 life-insurance agents.

Senator LONG. And against 14 million aged?

Mr. DUNAWAY. No, I wouldn't say I was speaking against 14 million aged.

Senator LONG. Well, that is your opinion, and I have mine.

Senator ANDERSON. I only want to point out to you that regardless of what the newspapers may say about this, we do have a Constitution under which the Congress operates.

Senator Carlson and I were members of the Ways and Means Committee in the House, and we are happy to be on the Finance Committee.

Tax revenue bills have to originate in the House of Representatives, because the House was supposedly representing the people, and the Senate was supposedly to be ambassadors from the States.

So the power had to reside in the people to start these things. A new Congress convenes in the odd-numbered years, and that Congress starts out to consider tax legislation. By the time it gets over here it is in the even-numbered year. We pass it not in regard to whether it is an election year, but because it gets here at that time from the House of Representatives. I just hope that the life-insurance underwriters who see a lot of people and who are fine people and I wish them very well, don't always attribute a political motive to what happens in this Congress in the election years, because we allow the manna that falls from heaven to land on the just and the unjust.

We give these poor workers a few dollars, but we also sprinkle a few dollars in the coffers of the life-insurance companies, by retroactivity.

So it all ends up pretty even.
Senator LONG. Thank you.
(The statement in full of Mr. Albert C. Adams, is as follows:)

STATEMENT OF ALBERT C. ADAMS, THE NATIONAL ASSOCIATION OF LIFE UNDERWRITERS, CONCERNING H. R. 13549

I am Albert C. Adams, of Philadelphia, Pa., and I am appearing before your committee as president of the National Association of Life Underwriters. For your information, our organization is a trade association representing a membership of over 73,000 of the leading life-insurance agents in America.

My purpose in appearing here today is to express our association's opposition to those provisions of H. R. 13549 which would further liberalize the Federal old age and survivors insurance program. Much of my statement is substantially the same as the statement presented several weeks ago to the House Committee on Ways and Means by R. Edwin Wood, the chairman of our association's committee on social security. This is necessarily so because I feel that the arguments advanced by Mr. Wood are as valid today as they were when he originally presented them to the Ways and Means Committee.

In objecting to H. R. 13549, I should like to make it abundantly clear that we are not opposed to the OASI program as such. To the contrary, we have long regarded it as being a socially desirable means of providing our country's workers and their dependents with a basic floor of protection against want. Indeed, it has often been said with much truth that life-insurance agents have done more than any other single group to familiarize the people of this country with the OASI program.

Thus, I repeat, we are not opposed to OASI so long as it is not allowed to deviate from its original "floor of protection" concept. However, we are very much opposed to unreasonable and excessive liberalizations of the program. We are opposed to such liberalizations because we are convinced that they would ultimately seriously weaken, if not destroy, not only the program itself but the entire national economy as well. We are also opposed to excessive liberalizations because we believe that too much OASI would eventually render the people of this country either unwilling or financially unable—or both—to practice the "do-it-yourself" brand of thrift. This "do-it-yourself" philosophy has traditionally played a vital role in the development of our national economy and in making the American way of life the envy of the world.

Now some of you gentlemen undoubtedly feel that the provisions of H. R. 13549 are quite modest. You may therefore wonder why we look upon the bill as providing "unreasonable and excessive liberalizations" of the OASI program. Suffice it to say at this point that it is our belief that the real effect of this particular bill cannot and should not be evaluated except in relation to prior liberalizations of the program, and especially those enacted in 1950, 1952, 1954, and 1956.

Having given you a broad sketch of our attitude toward the OASI program and our general reasons for opposing its overexpansion, I shall now give you our specific reasons for opposing any further liberalization of the program. Briefly stated, these reasons are that any liberalization would be economically unsound and unnecessary. Even viewed in the most favorable light, they would at least be premature.

I. FURTHER OASI LIBERALIZATION ECONOMICALLY UNSOUND

At the present time, our country continues to be faced with two grave economic problems. The first is the threat of further inflation. The other is the current recession. In our opinion, the enactment of H. R. 13549 would have a strong tendency to aggravate both of these problems and to delay their solution.

As you know, H. R. 13549 would require significant social security tax increases, effective January 1, 1959. These increases would have their greatest impact on people earning above $4,200 per year. For example, in the case of an employee earning $4,800 or more in 1959, the combined employer-employee tax would be $240, as against the $189 that would be called for under present law. In the case of a self-employed individual in the same income bracket, the new tax would be $180 as against the present $141.75.

Since the employers' share of social security taxes is to them simply another cost of doing business, any increase in these taxes would, where possible, be added to the prices that consumers of their goods and services must pay. Self-

employed individuals would follow the same pattern in dealing with their consumers. This, in turn, would undoubtedly lead to successful demands for higher wages by many of these consumers. The result would be new inflationary pressures adversely affecting not only our working population generally but present OASI beneficiaries as well.

At the same time, the proposed increase in social security taxes would add to the total tax burden of the working population to provide increased OASI benefits from which they would derive no immediate return. Thus, to the extent that gainfully employed taxpayers were unable to obtain offsetting increases in wages or other income, the probable effect of an increase in social security taxes would be to curtail their purchasing power still further and, consequently, to impede recovery from the current economic recession.

At this point, perhaps I should say that in spite of the factors which I have just mentioned, a social security tax increase might be justifiable if it were derived solely from an increase in the tax rates themselves and if it were not accompanied by an increase in benefits. Such a tax increase would at least have the salutary effect of strengthening the OASI program financially by eliminating or materially lessening the actuarial deficiency that the Department of Health, Education, and Welfare and the House Ways and Means Committee have found to exist in the program.

However, we must strenuously object to achieving a tax increase by raising the taxable wage base from $4,200 to $4,800, as proposed in H. R. 13549. We believe that this procedure is particularly undesirable for at least two reasons. First, any further increase in the wage base would strike us as being principally a rather devious move toward the socialistic goal of income redistribution. Second, it would result in the payment of higher benefits to the very people who are best able to take care of themselves namely, those with above-average earnings. This latter result would tend to destroy the essential "floor of protection" design of the OASI program.

Another major reason why we believe that further benefit increases or other liberalizations would be unsound is that no one really knows at present what adverse effect such changes might have on the ultimate stability and solvency of the OASI program.

It is conservatively estimated that the program has already incurred an unfunded accrued liability in excess of $300 billion. This accrued liability will have to be met in the main by the social security taxpayers of the future. Obviously, any further liberalization of the program now would necessarily increase this enormous commitment and, of course, the already substantial social security tax burden with which we have saddled the taxpayers of tomorrow. We therefore submit that further liberalization of the program today would be an act of economic injustice to these taxpayers and pose a serious threat to the program's long-range solvency.

In connection with the foregoing, we urge you to weigh carefully the statement made by former HEW Secretary Oveta Culp Hobby before your committee 3 years ago when she warned that continued expansion of benefits under the OASI program could wreck it. At that time she very wisely said:

"The system cannot be expected to provide fully against all insurance risks if the tax is to be kept at a rate which can be borne by persons in the lower income brackets."

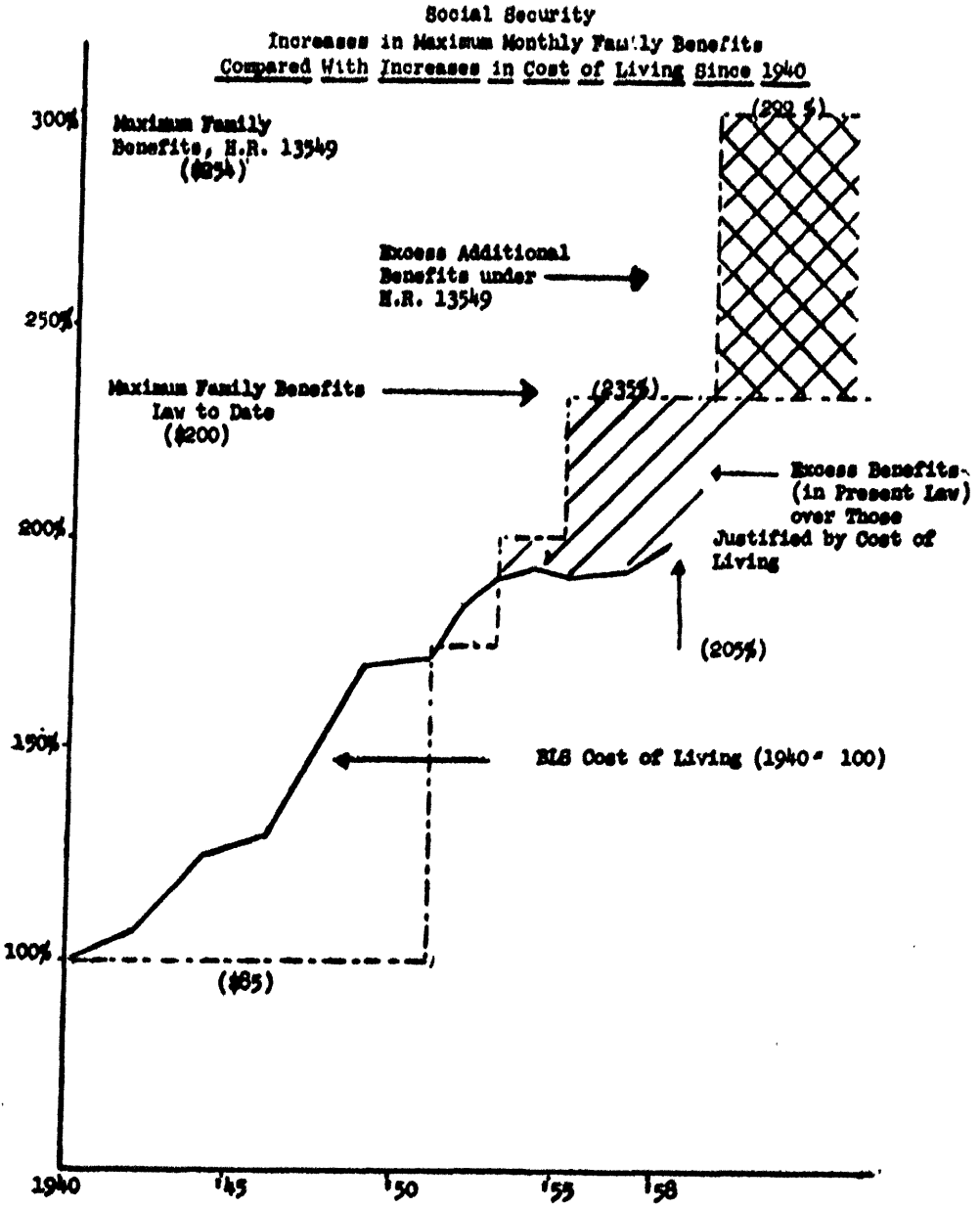
In light of the foregoing considerations, it is our firm conviction that, with the possible exception of an increase in tax rates, any increase in social security taxes, or in benefits, would be economically unsound at the present time.

II. BENEFIT INCREASES NOT NEEDED

Quite aside from the basic economic unsoundness of increasing social security taxes and benefits at this time, a convincing case has not been made to show that larger benefits are needed. In our opinion, no such need actually exists. Indeed, keeping in mind always that the sole purpose of the OASI program is simply to provide the beneficiaries thereof with a basic floor of economic protection against want, we submit that there is much evidence to indicate that the program is already accomplishing its intended purpose in an extremely adequate manner.

In this connection, I call to your attention the chart that immediately follows this page. As you will see, it shows that between 1940, the year in which OASI benefits were first paid, and the first of this year, the cost of living increased to 205 percent of the 1940 level. Maximum family benefits payable under the

OASI program increased to 285 percent of the 1940 level during the same period. This is a clear indication that, contrary to the argument advanced by the proponents of OASI expansion, past liberalizations of the program have more than kept pace with advances in the cost of living. To stress this theme still further, the chart shows that under H. R. 13549, which would increase maximum family benefits from $200 months to $254, such benefits would be almost 300 percent of the 1940 level.



I would also like to add that while the chart does not show them, maximum monthly benefits for single retired workers and for retired workers and their wives have already been increased to 263 percent of their 1940 level as against the smaller increase in the cost of living indicated above. Under H. R. 13549, the same benefits to present beneficiaries would be increased to 281 percent of their 1940 level. (In the future, as these maximum benefits commenced to be computed to an ever-increasing extent on the $4,800 wage base provided in H. R. 13549, they would of course be even larger and would eventually reach $127 for single retired workers and $190 for retired workers and their wives.)

Dramatic evidence of the present adequacy of the OASI program is furnished by the article appended to this statement entitled, "We Live On Our Social Security," which originally appeared in the February 2, 1958, issue of the American Weekly. Briefly, this article tells the story of how a Mr. and Mrs. Henry Brandt are living, not simply a bare, hand-to-mouth existence in retirement, but a full and completely satisfying life, on their combined monthly OASI check of $162.80 "plus about $20 a month." To quote Mr. Brandt's own words, this amount covers all of their needs, including "gas for the station wagon."

Naturally, when we read Mr. Brandt's story, we were curious as to whether his case was unique or whether we could find any evidence that retired people generally might be faring equally as well. With this in mind, we gathered data on the minimum budget requirements of retired people in various localities picked at random. The results of this survey, showing the monthly budget requirements of both elderly single individuals and elderly couples (rounded off to the nearest dollar), are set forth below. In each case, the budgeted amount covers at least such essentials as food, clothing, and incidental needs.

Locality	Single person	Husband and wife
1. Knox County, Tenn. (including Knoxville). (Source: Department of public welfare, Knox County, Tenn.)	$70	$95
2. New York City. (Source: Annual Price Survey Based on a Family Budget Standard, October 1957, published by Community Council of Greater New York, Inc.)	[1] 144	[1] 204
3. Florida. (Source: Florida Department of Public Welfare)	103	147
4. Cincinnati, Ohio. (Source: Family service of Cincinnati and Hamilton County, Cincinnati, Ohio.)	130	180
5. New Jersey. (Source: New Jersey Department of Institutions and Agencies.)	88	134
6. Guilford County, N. C. (Source: Guilford County Welfare Department)	90	170
7. San Francisco-Oakland, Calif., bay area. (Source: California Department of Welfare.)	[2] 101-123	[2] 139-161
8. Westchester County, N. Y. (Source: Westchester County Department of Family and Child Welfare.)	98	131
9. Maryland. (Source: Maryland State Department of Public Welfare.)	82	116

[1] There is reason to believe that the figures listed for New York City are somewhat liberal estimates. For example, they are certainly considerably in excess of those used by the city's department of public welfare. The latter figures basic monthly allowances as follows: $111 for single person over 65 living in furnished room and taking meals in restaurant; $76 for single person living in unfurnished apartment and eating meals at home; and $118 for husband and wife over 65 living in unfurnished apartment.

[2] The figures for the San Francisco-Oakland bay area are expressed as ranges inasmuch as estimated requirements for housing and utilities vary from county to county in this particular area.

We believe that the above figures strongly indicate the general validity of Mr. Brandt's thesis that retired senior citizens drawing maximum benefits can indeed live on their social security. Of course, many retired people may find it necessary, or at least desirable, to supplement their benefits from other sources, particularly if they choose to live in areas where living costs are relatively high. However, they can do this through part-time employement or through the medium of private pension, insurance or savings program, or both. As a matter of fact, this is exactly what the OASI program very properly expects them to do. If such sources of outside income are not available or are inadequate in individual cases, any necessary additional income should be provided through public assistance programs on a needs basis.

It may be objected that it is misleading to relate the above figures to maximum OASI benefits, rather than to the average benefits now being paid. For men who came on the benefit rolls prior to the 1954 amendments the average benefit is now approximately $66 per month and for those who came on the rolls in the last 6 months of 1957, approximately $78. Thus the closer the program approaches maturity, the closer the average monthly benefit paid will approximate the maximum benefit in the vast majority of cases. In the meantime, if anything is done by the Government to solve the relatively short-range problem of people receiving substantially less than maximum benefits, we again recommend that it be done through public assistance. This is in line with the long-established principle of the social security program.

III. PRESENT CONGRESSIONAL ACTION WOULD BE PREMATURE

Your committee is well aware of the fact that Congress, in adopting the 1956 Social Security Amendments, created an Advisory Council on Social Security

Financing. This Council was established for the express "purpose of reviewing the status of the Federal old-age and survivors insurance trust fund and of the Federal disability insurance trust fund in relation to the long-term commitments of the old-age, survivors, and disability insurance program." The Council was directed to make a report of its findings and recommendations, including recommendations for changes in the social security tax rate structure, not later than January 1, 1959.

This advisory Council is now in the process of doing the job assigned to it. Accordingly, whether or not you agree with the other points presented in this statement, we trust that you will at least agree that it would be completely premature and illogical for Congress to "jump the gun" now by liberalizing the program without first getting the Advisory Council's report. In saying this, we do not share the views expressed by many, including numerous Members of the House of Representatives, that H. R. 13549 is simply a "stopgap" bill which demands speedy enactment pending the expected report of the Advisory Council. As we read H. R. 13549, it strikes us as being a compressive and major piece of social security legislation and provides for many fundamental changes in the OASI program that would have a very important bearing on the program's long-range commitments and the tax structure necessary to provide the revenue to honor these commitments.

Finally, we cannot help pointing out that in each of the past 4 election years—i. e., 1950, 1952, 1954, and 1956—Congress has materially liberalized the OASI program. In 1950, 1952, and 1954, these liberalizations included substantial increases in the level of benefits, the aggregate increases for the 3 years in question being, on the average, somewhat over 105 percent and much more than at the maximum benefit level. While the level of benefits was not increased in 1956, Congress then added a new program of total and permanent disability benefits for covered workers at age 50, lowered the retirement age for women from 65 to 62, liberalized eligibility requirements in certain respects, etc.

Because of the growing pattern of election-year liberalizations, more and more people are coming to look upon the OASI program as a political football. It is our firm belief that unless Congress exerts responsible leadership and puts a stop to this trend, it could well result in the people's loss of confidence in the soundness of the program and, indeed, in its actual ruination.

[The following article appeared in the February 2, 1958, issue of the American Weekly, published by Hearst Publishing Co., Inc.]

We Live on Our Social Security

By Henry Brandt, as told to Eric Mick Nathanson

There's a mountain of snow back in Lewistown, Mont., that I won't be shoveling this winter. Thanks to our combined monthly social security check of $162.80, my wife, Margie, and I have put more than 1,000 miles between us and the rigors of a winter that we don't want to fight any longer.

We haven't run off to any exclusive paradise for the idle rich—we're not wealthy; nor have we cut out of our lives the comforts and pleasures that the money-producing years of my life accustomed us to.

Though our actual cash income in retirement is about $290 a month, we don't have to spend nearly that much to cover all necessities, some luxuries, and much recreation. Our social security check—plus about $20 a month—can cover everything we need, and very nicely.

We live in our own two-bedroom home, in the dry, warm climate near Phoenix, Ariz. At 66 I am leading a life that is fuller, happier, and healthier than anything I had imagined possible for a senior, retired citizen with a modest income and savings from more than 40 years of barbering.

Our life today would not have been possible if we had not earned our right to share in the retirement benefits of the Federal Government's old age insurance program.

My modern, comfortable house, with lawns front and back, and flower beds that are bright and colorful all year round, is in Youngtown, Ariz., 16 miles northwest of Phoenix—a unique 600-home community exclusively for people over 50, particularly those retired on a small income.

Three years ago, Youngtown was just an irrigated cottonfield and a dream of "Big Ben" Schleifer, the local real-estate man who conceived and developed it.

Margie and I read an article about Youngtown in a Montana newspaper in December 1955. I was looking forward to retirement then and we had begun making plans for it. When we set out for Arizona on vacation a month later, I expected Youngtown to be a new housing district started out in the desert.

What we found was a community set amidst beautiful brown and green countryside and lush, irrigated farmland, with high mountains on all sides in the distance. There was plenty of water underground. For $4 a month, Youngtown homeowners could use all the water they wanted from the community's own deep-well water system.

The price of the houses then was $6,500 or $6,650, depending on the type of roof. Since then, the prices have gone up about $1,000 because of the rising costs of material and labor.

We fell in love with the place and wanted to buy immediately but I still had another year to go until retirement. In order to qualify for an FHA mortgage loan on a house in Youngtown, I needed a retirement income of at least $250 a month.

Why this is so, I don't know, since it doesn't take nearly that much money for us to live well, mortgage and all. However, it is in the law governing this type of house financing—probably as a safety margin—and until I started getting my monthly social security check, I'd have to put in another winter of shoveling snow and barbering.

I think we made up our minds on that first visit that when I retired we'd move to Youngtown. We even told some friends, Mr. and Mrs. Lauren Grove, about Youngtown and they promptly bought a retirement house there.

A year later, when I became eligible for social security, Lauren notified me that a fully furnished house across the street from him was available. We moved fast this time. I sold my home and barbershop in Lewistown. With my social security check and returns on property and small investments, I figured that my retirement income would be about $200 a month.

For $2,150 I bought the equity and furniture of Lauren's neighbor, and arranged a mortgage that costs me $54.80 a month, well within the means of my retirement income. Within a month, my address was Youngtown, Ariz.

We left behind in Lewistown my son, who runs a motel; daughter-in-law, and three grandchildren, and a lot of good friends and fond memories. But we have made enough new friends to offset the loss of the old ones. Since all of us in Youngtown are about the same age, with the same interest in getting the most out of our retirement years, there are none of the tensions and preoccupations of the competitive business world. We don't get up any special time, we don't do anything we don't want to do, and we enjoy what we choose to do.

Years ago, I did a lot of fishing and played bridge occasionally, but did little else in the way of recreation. Now we play more bridge than we have in years. There are dances, community sings, bingo games, and potluck dinners.

I'm a member of the American Legion post, which is very active. My wife is a member of the Garden Club, and ladies' groups of the Community Church that we belong to.

If we want to, we drive to Phoenix to a movie or a ball game or the dog races. There's a large supermarket right in Youngtown which will soon grow into a shopping center.

Most important though, what our monthly social-security check has given us in Youngtown is companionship. The coffeepot is always on, and when we play bridge we mix up a batch of "hi-fi's." No, not the records—the drink: half sweet wine, half ginger ale. It's very good, especially out in the patio in warm weather.

Which brings up the one drawback in Youngtown's open-house mood. It takes longer to build things. Neighbors come over and help and bring tools. Then the work session turns into a bull session and we're back on the hi-fi's.

Pretty soon, I'll start painting our house. I'm sure there's somebody in Youngtown who knows more about paints and how to swing a brush than I do and he'll soon be over to help me.

For us, the move to Youngtown has proven wise. We get along very nicely on $125 a month, over and above my mortgage payment, and that includes food, entertainment, and gas for the station wagon.

If I feel like working, I have an arrangement with the barbers in nearby Peoria where I can relieve one of them once in a while. The new shopping center will have a barbershop, and I'll be able to work there a few hours a day if I want to.

Not everybody in Youngtown is retired. Some still work full time and some part time. But you have to be over 50 to buy a home here. We don't miss having young people around, maybe because nobody here behaves very old.

One of my daughters who visited recently and saw how happy we were said: "You must have been meant to come here, if you can pick up and settle so easily."

Yes, it was easy but, if not for my social security, it might have been another story.

Senator LONG. Mr. John Corcoran.

STATEMENT OF JOHN J. CORCORAN, DIRECTOR, NATIONAL REHABILITATION COMMISSION, THE AMERICAN LEGION, ACCOMPANIED BY WARREN H. MacDONALD, RESEARCH ANALYST, AND MILES H. KENNEDY, THE AMERICAN LEGION

Mr. CORCORAN. Mr. Chairman and members of the committee, I am director of the national rehabilitation commission of the American Legion, and I have with me Warren H. MacDonald, our research analyst.

We are grateful for this opportunity to state the position of the American Legion on section 224 of the Social Security Act. Your schedule of hearings on H. R. 13549 is a very tight one. We shall not use more than our allotted time.

It is our purpose to speak on only one section of H. R. 13549, namely, section 206 on page 29 of the bill. Section 206 would repeal the provisions of the Social Security Act which require reduction of the amount of disability insurance benefits, otherwise payable to an individual, by the amount of disability benefits—other than service-connected disability compensation—payable to such individual by another Federal agency or under a State workmen's compensation law.

The American Legion supports the repeal of section 224 of the Social Security Act. We urge the committee to endorse section 206 and to include the provisions thereof in any social-security measure reported out pursuant to these hearings.

Representatives of the American Legion appeared before the House Committee on Ways and Means during hearings leading to introduction of H. R. 13549. At that time we entered a lengthy and detailed statement on the subject of section 224 and its effect on recipients of disability benefits based on military service. Our statement is printed on pages 509–519 of the report of hearings before the House Committee on Ways and Means on all titles of the Social Security Act.

To save your time, and to state our case as simply and clearly as possible, we list herewith the principal points included in our earlier statement:

(1) The rights of an individual to a Federal benefit based on military service should not be abrogated or diluted because he has also earned entitlement to some other benefit not related to his military service.

(2) There is no overlap or duplication between disability programs based on military-service and social-security disability programs; the two systems are quite dissimilar in rationale, design, and intent; yet, they are mutually compatible and actually complement one another.

(3) The offset requirement is in conflict with the fact that both programs recognize the need for and permit the receipt of additional dollars and is inconsistent with the traditional principle that the

OASDI system is intended to provide an income floor to which other forms of income are additive.

(4) The monetary needs of the disabled are likely to be greater than for the nondisabled, yet the offset requirement applies to the old-age survivors insurance programs only in the case of disabled children over age 18.

(5) Because of the disability requirements, the receipt of substantial earned income would be incompatible with entitlement to the benefits in question.

(6) Because of the offset requirement, many individuals otherwise entitled to social-security benefits will have to turn to a third public source for necessary extra dollars; in most cases, the third source will be one of the State-administered public assistance programs.

(7) Although heavily supported by Federal grants-in-aid, the offset does not apply to the public assistance programs; they are apparently considered to be a legitimate and appropriate source of extra dollars for OASDI recipients. Dual receipt cases now number over 600,000 and are steadily increasing.

(8) There should be no offset against disability benefits based on military service; such benefits have always been recognized as an honorable form of income and are made available to those entitled as a hedge against the need for charity.

(9) The offset requirement gives to the disability insurance trust fund an unwarranted windfall; the disability insurance tax rate is adequate to provide full benefits to the otherwise qualified individuals.

(10) The Veterans' Administration and the other agencies involved must continue to pay full benefits to the individuals concerned and must bear additional administrative costs because of the need to keep the Social Security Administration advised as to awards and changes in awards.

In its report (H. Rept. No. 2288) on H. R. 13549, the House Committee on Ways and Means pointed out that the offset provisions of section 224 have proved unnecessarily strict and have produced inequitable effects. In view of the nature of the disability insurance program and the experience gained thus far, the committee—

concluded that it is undesirable, and incompatible with the purpose of the program, to reduce these benefits on account of disability benefits that are payable under other programs.

Congressman Mills, chairman of the Committee on Ways and Means, explained the provisions of H. R. 13549 to the House of Representatives on July 31. His statement as to why the committee recommended repeal of section 224 coincides exactly with the position of the American Legion. He noted that the offset provisions affect less than 20 percent of all persons eligible for disability insurance but that the great majority of those affected lose part or all of the social security benefit because they are war veterans receiving disability pensions from the VA. Congressman Mills said:

These pensions, beside being limited in amount, are paid only to veterans who have restricted income otherwise. The committee deems it unnecessary and undesirable to deprive a severely disabled veteran of disability benefits he has earned under social security because he is eligible for a modest pension based on his service in the Armed Forces. * * *

That is from page 14402, Congressional Record, July 31, 1958.

The chairman also made it clear that elimination of the offset provisions would not require any increase in the disability insurance tax rate. In fact, Congressman Mills stated that even with all of the recommended improvements in the disability provisions of the act, the disability insurance trust fund "would still have both a long-range and a short-range excess of income over outgo."

For the foregoing reasons, we respectfully submit that section 224 of the Social Security Act should be repealed.

Senator LONG. Would there be cases where the person would be receiving greater disability payments because of the dual system than he would have received in income if he had been working at his maximum pay?

Mr. CORCORAN. I think, sir, this is conceivable. As we understand it, first of all, he would have to receive the maximum under Social Security, he would have to be married and have at least two children. At that point he would be able to receive more.

But I would like to point out that the question of incentive is not involved here.

Senator LONG. Suppose he was not married and did not have two children, would it be conceivable that he could receive more than he would have received if he continued to work if he had not been disabled?

Mr. CORCORAN. I think not, but may I make the additional point, Mr. Chairman, that the question of incentive is not involved, because the only way the man can get the VA pension is to be permanently and totally disabled, and a man does not become permanently and totally disabled just to get a little more than while he was employed. It is a difficult thing to prove to the VA that you are permanently and totally disabled.

Senator LONG. Would it be necessary for him to be disabled twice for him to receive a dual award for a single disability?

Mr. CORCORAN. It would not, sir, but it is possible and it is quite probable to be disabled twice. May I give an example: A man who, as an officer, serves during a period of war, and, let us say, loses a leg or two, and is held by the service to be retired, should be retired because of combat-incurred wounds. Then he goes into covered employment and stays in covered employment under Social Security for some period of time, and becomes totally disabled from other causes. Now when he starts to receive his social security benefits, he cannot receive both that and the retirement from the Armed Forces, because of the offset.

Senator ANDERSON. Because of what?

Mr. CORCORAN. Because of the offset provision in the Social Security Act. That is the provision we seek repeal of. That provision says if a man is receiving a periodic benefit based in whole or in part on some psysical or mental impairment under another Federal system, then he may not receive the total disability payments under social security, even though he earned it. That is the provision of which we seek repeal.

Senator LONG. The House bill does that?

Mr. CORCORAN. The House bill does exactly that, sir.

Senator ANDERSON. Do you have any estimate of the cost of this?

Mr. CORCORAN. Let me say, first, sir, that the cost would be to the disability insurance trust fund, a trust fund which, when it was set up, was not set up with the idea that this offset would be put into effect. The disability trust fund tax rate was set up with the thought that the class we are discussing now would receive both.

We have an estimate that as far as veterans are concerned——

Senator LONG. Estimate of what?

Mr. CORCORAN. We have an estimate that as far as the veterans are concerned, because of those who are not receiving both now, the trust fund is saving approximately $2 million a month.

Senator LONG. So this would cost about $24 million a year to repeal the section?

Mr. CORCORAN. Yes, sir.

Mr. MACDONALD. As far as veterans are concerned.

Mr. CORCORAN. And veterans compose 86 percent of those who are affected by the provision.

Senator LONG. All right.

Senator BENNETT. No questions.

Senator LONG. Thank you very much.

Mr. CORCORAN. Mr. Chairman, we have one other division of the American Legion, the National Child Welfare Commission, which is interested in certain other portions of this bill dealing with care and assistance to children, and with your permission I would like to submit for the record this statement of Randel Shake, director of that commission.

Senator LONG. Please do that, and I would like to be supplied with a copy of that statement.

(The statement referred to follows:)

STATEMENT OF RANDEL SHAKE, DIRECTOR, NATIONAL CHILD WELFARE COMMISSION, THE AMERICAN LEGION

Mr. Chairman and members of the committee, we are indeed appreciative of this opportunity to appear before you in order that we might express our views on certain titles of H. R. 13549, which passed the House of Representatives on July 31, 1968. Having been informed that time limitations were necessarily imposed on these hearings because of the scope of the subject matter you are considering, we have chosen to file this statement.

Our statement is confined to certain specific portions of H. R. 13549 which deal with services and assistance to children. The American Legion has carried on a nationwide child-welfare program for over 30 years and our primary interest has been to insure proper care and protection for veterans' children. Today, about 35 percent, or approximately 30 million, of the Nation's children are children of veterans. By virtue of this fact, we are vitally interested in strengthening and improving public programs affecting children. Our child-welfare activities are concerned with all facets of child life. We believe that the broad experience gained by our organization during 30 years in this field, qualifies our organization to speak on legislation concerned with programs for children.

With this part background, we should like, in the interests of brevity and clarity, to accomplish the committee with the specific titles of H. R. 13549, which we, of the child welfare commission, unequivocably endorse and support, and to which we addressed ourselves in some detail, when we testified before the House Ways and Means Committee on June 25, 1968.

MATERNAL AND CHILD HEALTH, CRIPPLED CHILDREN SERVICES, AND CHILD WELFARE SERVICES (TITLE V)

Because of the rapid rise in the rate of our child population, it was the position of the American Legion that there was an urgent need to increase the statutory authorizations for these vital programs. We are indeed delighted and pleased to note that H. R. 13549 makes such provision. The bill under the below-cited

titles and sections, authorizes the following new annual appropriations for these most important programs:

1. For child welfare services: $17 million annually (title VI, sec. 601, which amends sec. 521, pt. 3, of title V, of the Social Security Act; see p. 99, line 11 of the bill).

2. For maternal and child health: $21,500,000 annually (title VI, sec. 602 (a), which amends sec. 501, pt. 1, title V, of the Social Security Act; see p. 104, line 18, of the bill).

3. For crippled children's services: $20 million annually (title VI, sec. 603 (a), which amends sec. 511, pt. 2, title V, of the Social Security Act; see p. 105, line 17, of the bill).

CHILD WELFARE SERVICES REIMBURSEMENT FORMULA

We urged the House Ways and Means Committee, on June 23, 1958, to remove the present provisions of the social security law with respect to the use of Federal child welfare funds in predominantly rural areas or other areas of special need. It was our premise that the population shifts revealed gravitation toward urban and metropolitan areas. Consequently, we suggested that the social security law be amended to provide that grants payable to States be related to the total number of children in the State rather than to just the number of children in rural areas. We are gratified and pleased to learn that the House Ways and Means Committee accomplished this most desirable change. This was accomplished by removing the language contained in sec. 521 (a), part 3, title V, of the Social Security Act, relating to the use of Federal child welfare funds in predominantly rural areas or other areas of special need, and substituting a new formula for the allotment of these funds. Under H. R. 13549, the allotment is related directly to the total child population under 21 and inversely to the per capita income of the State. These amendments may be found in the following title and section of H. R. 13549. (See title VI, sec. 601, commencing on p. 98, line 23, and ending on p. 102, line 14, of the bill.)

Mr. Chairman, we believe that the above cited amendments to the present social security law, are most commendable and long overdue. We urge you with all the persuasion at our command to report out favorably H. R. 13549 without amendment to the above cited titles and sections.

Senator BENNETT. Mr. Chairman, Mr. Marshall has been waiting here since 10 o'clock, and I think it is rather obvious Senator Malone is not coming back. I would like to move, unless Mr. Marshall has something else he wishes to volunteer to the committee, that this 2 hours of waiting will be accepted as evidence of his good will, and that he be released.

Senator LONG. Without objection, that motion is agreed to.

Do you have any further comment you wish to make, Mr. Marshall?

Mr. MARSHALL. I have no further comment.

Senator LONG. I believe you were examined rather fully yesterday, and you are entitled to be excused.

Mr. MARSHALL. I take it I was; yes, sir.

Senator LONG. Mr. Russell Bartley.

STATEMENT OF E. RUSSELL BARTLEY, DIRECTOR OF INDUSTRIAL RELATIONS, ILLINOIS MANUFACTURERS' ASSOCIATION, CHICAGO, ILL.

Mr. BARTLEY. Mr. Chairman and members of the committee, my name is E. Russell Bartley. I am director of industrial relations of the Illinois Manufacturers' Association.

I appreciate the opportunity of appearing before you today on behalf of the conference of State manufacturers' associations, which is made up of 39 State associations. The combined membership of these organizations is estimated to be more than 40,000 employers. Our

members employ the great majority of the industrial workers in the Nation, and produce the bulk of the manufactured goods.

Many of these State associations would have liked to present individual statements during these hearings, but in compliance with the announced wishes of the committee to save time, they have agreed to the consolidation of their testimony under the auspices of the conference of State manufacturers' associations.

The State associations which join in this statement are listed on the mimeographed statement, and I will not read them, but I request that the mimeographed statement be filed with the commitee.

Senator LONG. That will be done.

Mr. BARTLEY. If it is satisfactory, I will condense this statement and not read all of it.

Senator LONG. Please do.

Mr. BARTLEY. Your committee has before you a bill which, if enacted, would make drastic and far-reaching changes in the Federal Social Security Act. Benefits to retired and disabled workers and their dependents and survivors would be substantially increased.

There would be a large increase in the payroll taxes to finance this program. Many other amendments which would liberalize various features of the act are included in the bill.

The members of the foregoing associations employ a substantial number of the people who are covered under the OASDI program. The employers and the employees in the manufacturing industry pay a large share of the costs. No group in the United States is more concerned with the economic welfare of our country and its people than the 40,000 employers whom these associations represent.

The associations and the manufacturing firms for whom I appear question seriously the need or advisability of any major changes in the social-security system at this time. We are of the opinion that it is unwise to enact legislation raising the cost of the program when the Federal administration, Congress, and the public in generally are vitally concerned with controlling inflationary pressures resulting from rising costs of doing business, and higher taxes at this time only add to the oppressive tax burden on the public and industry.

This subject of having amendments made in election years has already been covered by several witnesses, but the program is being treated as a political expedient instead of being based upon the facts of the economic situation in the Nation.

We feel that increases in benefits are not justified. H. R. 13549 provides for a substantial increase in the monthly benefits under the OASDI program. The report of the House Ways and Means Committee that the increase in benefits would amount to 7 percent is misleading. Present beneficiaries would receive a 7 percent increase, but in addition—and this is a very important item of increased costs—a larger increase in benefits would result from the increase in the wage base from $4,200 to $4,800.

In section 101 of the bill, an increase from the present maximum primary insurance amount of $108.50 to the new amount of $127 is 17 percent, not 7 percent.

Within a few years, an increasing number of beneficiaries will have their benefits computed on the $400 per month base and will be receiving the maximum primary insurance amount of $127, which I repeat is 17 percent higher than the present maximum.

Furthermore, the maximum family benefit amount is increased 27 percent, from $200 to $254 per month, and that does not require the maximum average monthly wage. That maximum of $254 begins at an average monthly wage of only $320.

The committee report has neglected to call attention to this very important cost feature of the bill. They keep referring to 7 percent.

Workers who have been in the program for a number of years would pay a higher tax on a $4,800 wage base, but would not receive the benefit of higher insurance payments, because many of them would never qualify with a $400 average wage.

The most common assumption used in the past to justify increases in benefit levels was that these increases were needed to help the retired person maintain a minimum or modest standard of living.

In 1939, old-age benefits for a man and his wife over age 65 provided 66 percent of the amount needed to maintain a modest standard of living; and in 1957, it provided 88 percent.

Present proposals for amending the act would increase this percentage to 103 percent.

Adjustment of the BLS figures to June of 1958 indicates that a modest budget for an elderly couple living in a large city and owning a home would be $162 a month. If they rent their home they need $190 a month. Present social security benefits provide $162.80 per month for an elderly couple. With the tax increase provided for in H. R. 13549, but without an increase in the earnings base, an elderly couple would receive $174 per month.

This figure represents a greater proportion of the elderly worker's budget than it has in past years, and no further increase is necessary.

The proposed increases could be justified only on the basis that social security is expected to do more than provide a modest standard of living. But this is not the basic purpose of social security, the act.

The basic floor-of-protection concept should be retained, and the present benefit amounts are adequate under that concept.

According to the report of the House Ways and Means Committee, one of the reasons for increasing the benefit amounts is the 12-percent increase in wages and an 8-percent increase in prices since 1954.

Using 1952 instead of 1954 as a base, and taking into account the changes made in benefits in 1952 and 1954, we find that the increase in benefits since 1952 has more than kept up with the increase in the cost of living.

Benefits were raised in 1954 by more than 12 percent, and by more than 16 percent for those who retired after that time.

The cost of living, however, rose only 8.3 percent from September 1952 to June 1958.

The substantial increase in the social-security tax would be a double-barreled increase. First, the tax rates would be raised and the tax increases would be accelerated over fewer years than is now scheduled.

In addition, the wage base upon which the taxes are collected would be raised from $4,200 to $4,800. The added costs to workers and to employers would result in an increase in the tax, the maximum tax, from $94.50 to $120, which would amount to a 27-percent increase in taxes, which we feel is wholly unjustified, especially when the direct

benefits to the participating public would be increased within a range of from 7 to 14 percent.

Justification for the increase in maximum earnings base from $4,200 to $4,800, according to the House committee report, is that there has been a gradual decrease in the percentage of workers who have all of their wages credited under social security.

In 1957, 43 percent of the workers had all their wages credited. About 56 percent would have received full credit under a $4,800 base.

We question the desirability of maintaining a consistent percentage of persons who have all of their wages covered. According to the committee report, "The wage-related character of the system will be weakened and eventually lost" without increasing the earnings base.

This would be valid only if the intent of the system were to replace a constant percentage of pay.

It is the intention of social security to assure a minimum standard of living for all persons, and to provide relatively modest increments for people with higher pay. We can see no possible correlation between the basic purposes of the system and the need to have at least half the working population subject to social-security taxes on their entire pay.

The argument for any increase in wage base must be one of the following:

1. That social security eventually should become a complete system of income replacement for workers at all earnings levels and, in effect, replace private systems for pensions and death benefits.

2. That more money should be raised from higher income groups to provide greater benefits for persons with lower earnings.

We cannot accept either of these two arguments for increasing the wage base. We do not believe that social security was ever intended to accomplish these purposes.

The social-security tax paid by many people is much higher than the income tax which they pay. In fact, in certain family classifications there is no income tax liability, but the social-security tax is as high for those people as $94.50 per year.

The social-security tax is levied on gross pay up to $4,200 per year, and the new proposal is $4,800, without the deductions or exemptions allowed in computing the income tax.

Increasing the social-security tax for these same people is paradoxical. The social-security tax threatens to become the No. 1 tax problem for many people. It might edge the income tax off the center of the stage.

The bill contains several provisions for liberalizing disability insurance benefits which we believe are unwise. For example, it provides for monthly benefits for disability insurance beneficiaries who have not——

Senator BENNETT. Our copy has "which have not."

Mr. BARTLEY. That is for benefits for disability insurance beneficiaries which have not been provided heretofore. It eliminates the disability benefits offset provision and makes possible collection of double benefits, which we feel would certainly encourage malingering.

Retroactive applications for benefits would be allowed, and the work requirements would be modified.

In the words of the Ways and Means Committee, these changes would "liberalize the act." To "liberalize" simply means to pay out more money. The report states that the special disability fund is in good condition because the withdrawals in the first year of operation were not as high as anticipated. This is as it should be.

But now it appears that these liberalization features have been proposed in order to spend the money in the fund faster.

There is no sound reason for tinkering with the disability program and liberalizing it at this first opportunity to do so since its adoption in 1956.

The Social Security Act provides for an Advisory Council on Social Security Financing with the duty to "review the status of the old-age and survivors' insurance trust fund in relation to its long-term commitments." Enactment of new legislation affecting costs and financing should be deferred until the Council's study is completed and its report is submitted.

Before any amendments are adopted, we believe common agreement should be secured on the basic purposes of the social-security program and an effort made to stabilize the program.

The Ways and Means Committee report goes to great length attempting to disprove the statement which has been made many times that the financing of the whole social-security program is actuarially unsound. It projects estimates of the costs of benefit payments, tax income, and other data, up to the year 2020, but all of these data are based upon the benefit amounts and the tax schedule which are contained in H. R. 13549.

We do not believe we can assume there will be no further amendments to the act between now and the year 2020.

In one estimate the trust fund will be exhausted in 2010. That is only 52 years from now, and then we wonder what is going to happen.

There is no need for sweeping changes in the law every 2 years. We believe that the situation has gotten out of hand. We are alarmed when we envisage the end product of these intermittent and piecemeal changes. The insidious step-by-step growth and extension of the social-security program on many different fronts and the further pyramiding of the costs should be stopped or it will pose a serious threat to both the Nation's economy and the morale of the people, as has been proven in England and Germany.

We feel that the social-security program is rapidly snowballing into a gigantic giveaway without due regard to the impact on the future economy of the Nation.

Continued liberalization of this program can only lead to the saddling of our children and grandchildren with an excessive tax burden which they may not be able to bear. We fear the continued extension of benefits and higher taxes will reach the point where the resultant financial burden on both individuals and the economy will nullify any benefits which the welfare of the country may be expected to receive from the social-security program.

The provisions of this bill, if enacted, would have far-reaching adverse effects on the well-being of our economy and on the long-range financial soundness of the social-security benefit program for the aged and their dependents and survivors, and to disabled workers.

I appreciate this opportunity to present our views on this subject.

Senator LONG. Thank you very much, sir.

(Mr. Bartley's prepared statement follows:)

STATEMENT BY CONFERENCE OF STATE MANUFACTURERS' ASSOCIATIONS RE H. R. 13549, AMENDMENTS TO THE SOCIAL SECURITY ACT

My name is E. Russell Bartley. I am director of industrial relations of the Illinois Manufacturers' Association, with offices at 200 South Michigan Avenue, Chicago, Ill.

I am appearing today on behalf of the Conference of State Manufacturers' Associations, which is made up of 39 State manufacturers' associations. The combined membership of these organizations is estimated to be more than 40,000 employers. Our members employ the great majority of the industrial workers in the Nation and produce the bulk of the manufactured goods.

Many of these State associations would have liked to present individual statements during these hearings, but, in compliance with the announced wishes of the committee to save time, they have agreed to the consolidation of their testimony under the auspices of the Conference of State Manufacturers' Associations.

Following are the State associations which join in this statement:

Associated Industries of Alabama.
Associated Industries of Arkansas, Inc.
California Manufacturers Association.
Manufacturers Association of Connecticut, Inc.
Associated Industries of Georgia.
Associated Industries of Idaho.
Illinois Manufacturers' Association.
Indiana Manufacturers Association.
Iowa Manufacturers Association.
Associated Industries of Kansas, Inc.
Associated Industries of Kentucky.
Louisiana Manufacturers Association.
Associated Industries of Maine.
Associated Industries of Massachusetts.
Michigan Manufacturers Association.
Minnesota Employers Association.
Mississippi Manufacturers Association.
Associated Industries of Missouri.
Associated Industries of Nebraska.
New Jersey Manufacturers Association.
Associated Industries of New York State, Inc.
Ohio Manufacturers Association.
Associated Industries of Oklahoma.
Columbia Empire Industries, Inc.
Pennsylvania Manufacturers Association.
Tennessee Manufacturers Association.
Texas Manufacturers Association
Utah Manufacturers Association.
West Virginia Manufacturers Association.
Association of Washington Industries.
Wisconsin Manufacturers Association.

Your committee has before you a bill which, if enacted, would make drastic and far-reaching changes in the Federal Social Security Act. Benefits to retired and disabled workers and their dependents and survivors would be substantially increased. There would be a large increase in the payroll taxes paid by employers and employees to finance this program. Many other amendments which would liberalize various features of the act are included in the bill.

The members of the foregoing associations employ a substantial number of the people who are covered under the old-age, survivors, and disability insurance program. The employers and the employees in the manufacturing industry pay a large share of the cost of the program.

No group in the United States is more concerned with the economic welfare of our country and its people than the 40,000 employers whom these associations represent.

The associations and the manufacturing firms for whom I appear seriously question the need or advisability of any major changes in the social-security system at this time. We are of the opinion that it is unwise to enact legislation raising the cost of the social-security program when the Federal administration,

Congress, and the public in general is vitally concerned with controlling inflationary pressures resulting from rising costs of doing business; and it is common knowledge that higher taxes at this time only add to the oppressive tax burden on the public and industry.

It is significant that in every election year since 1950, social-security benefits have been liberalized, while in nonelection years Congress has made no changes. The program is being treated as a political expedient instead of being based upon the facts of the economic situation in the Nation. Frequent inflationary changes in the benefit structure and cost structure of the program should be avoided.

INCREASES IN BENEFITS ARE NOT JUSTIFIED

H. R. 13549 provides for a substantial increase in the monthly benefits for beneficiaries under the old-age, survivors, and disability insurance program.

The report of the House Committee on Ways and Means states, in section III A (2), "The bill would provide for an increase of about 7 percent over the levels provided in the present law." The statement that the amount of the increase in benefits will be 7 percent appears many times throughout the report. This statement is very misleading. Present beneficiaries would receive a 7-percent increase but, in addition, and this is a very important item of increased cost, a larger increase in benefits will result from the increase of the wage base from $4,200 to $4,800. The proof is clearly shown in the table for determining benefits in section 101 of the bill. The present maximum primary insurance amount shown in column II is $108.50. The new maximum shown in column IV is $127. That is an increase of $18.50 and represents an increase of 17 percent, not 7 percent.

The new insurance amounts for beneficiaries whose average monthly wage is $350 or less would be 7 percent higher than in the present scale. But within a few years, an increasing number of beneficiaries will have their benefits computed on the $400 per month base and will be receiving the maximum primary insurance amount of $127, which, I repeat, is 17 percent higher than the present maximum. Furthermore, the maximum family benefit amount is increased 27 percent—from $200 per month to $254 per month. This is shown in column V. And that maximum amount begins at an average monthly wage of $320. The committee report has neglected to call attention to this very important cost feature of the bill.

Workers who have been in the program for a number of years would pay a higher tax on a $4,800 wage base but would not receive the benefit of higher insurance payments because they would never qualify with a $400 average wage.

The most common assumption used in the past to justify increases in benefit levels was that these increases were needed to help the retired person maintain a minimum or modest standard of living. The amount needed by an elderly worker and his wife to maintain a modest standard of living was measured by the Bureau of Labor Statistics in 1950. If the results of this study are adjusted by changes in price levels due to inflation, we come to the following conclusion. In 1939, old-age benefits for a man and wife over age 65 provided 66 percent of the amount needed to maintain a modest standard of living. In 1957, social security for an elderly couple provided 88 percent of their needs for a modest standard of living. Present proposals for amending the act would increase this percentage to 103 percent.

Adjustment of the Bureau of Labor Statistics figures to June 1958 indicates that a modest budget for an elderly couple living in a large city, and owning a home, would be $162 per month. If they rent their home they need $190 a month. Present social security benefits provide $162.80 per month for an elderly couple. With the tax rate increase provided in H. R. 13549, but without an increase in the earnings base, an elderly couple would receive $174 per month. This figure represents as great a proportion of the elderly worker's budget as it has in past years. No further increase is necessary.

The proposed increases could be justified only on the basis that social security is now expected to do more than provide a modest standard of living, but this is not the basic purpose of the Social Security Act. The "basic floor of protection" concept should be retained. The present benefit amounts are adequate under that concept.

According to the report of the House Ways and Means Committee, one of the reasons for increasing the benefit amounts is a 12 percent increase in wages and an 8 percent increase in prices since 1954. While we agree with the general principle that benefits should reflect changes in the cost of living either

up or down, there is a legitimate question as to the basis upon which maximum benefits are set. If 1954 is the base, an 8 percent increase in prices is correct. However, using 1952 as a base and taking into account the changes made in benefits in 1952 and 1954; we reach the conclusion that no increase is necessary. The increases in benefits since 1952 have more than kept up with the increase in the cost of living.

Benefits were raised in 1954 by more than 12 percent for those retiring through September of that year, and by more than 10 percent for those retiring afterward. The cost-of-living, however, rose only 8.3 percent from September 1954, to June 1958.

WOULD INCREASE THE TAX BURDEN

H. R. 13549 provides for a substantial increase in social security taxes. The purpose of the increase is to pay for the higher benefits and to help overcome at least part of the current acturial deficit in the social security trust fund.

It would be a double-barreled increase. First, the tax rates would be raised and the tax increases accelerated over fewer years than is now scheduled. In addition the wage base upon which taxes are collected would be raised from $4,200 to $4,800.

Taxes are scheduled to increase substantially in future years under present law. The present tax schedule and the proposed taxes and the accelerated schedule are set forth in the following table:

	Tax rate	Maximum tax		Tax rate	Maximum tax
Present law:	*Percent*		H. R. 13549:	*Percent*	
1957–59	2½	$94.50	1959	2½	$120
1960–64	2½	118.50	1960–62	3	144
1965–69	3½	136.50	1963–65	3½	168
1970–74	3½	157.50	1966–68	4	192
1975 and thereafter	4½	178.50	1969 and thereafter	4½	216

The added costs to workers and to employers, effective January 1, 1959, would amount to a 27 percent increase in taxes which is exorbitant and wholly unjustified, especially when the direct benefits to the participating public are increased within a range of from 7 percent to 17 percent.

The employers of the Nation are greatly concerned with the increasing tax burden which the social security program is placing upon employees and employers. Under the existing law the projected tax under the present system will increase in steps to a total of 8½ percent by 1975. H. R. 13549 would accelerate and increase this tax to 9 percent, starting in 1969.

Justification for the increase in the maximum earnings base from $4,200 to $4,800, according to the House committee report, is that there has been a gradual decrease in the percentage of workers who have all their wages credited under social security. In 1957, 43 percent of the workers had all their wages credited. About 56 percent would have received full credit under a $4,800 base.

If we accept the validity of these figures we still question the desirability of maintaining a consistent percentage of persons who have all of their wages covered. According to the committee report, "the wage-related character of the system will be weakened and eventually lost"—without increasing the earnings base. This would be valid only if the intent of the system were to replace a constant percentage of pay. However, the basic concept has always recognized that the intention of social security is to assure a minimum standard of living for all persons and to provide relatively modest increments for people with higher pay. We can see no possible correlation between the basic purposes of the system and the need to have at least half the working population subject to social security taxes on their entire pay.

The argument of any increase in the wage base must be one of the following:

1. That social security eventually should become a complete system of income replacement for workers at all earnings levels and, in effect, replace private systems for pensions and death benefits.

2. That more money should be raised from higher-income groups to provide greater benefits for persons with lower earnings.

We cannot accept either of these two arguments for increasing the wage base. We do not believe that social security was ever intended to accomplish these purposes.

Several proposals have been before the Congress to reduce the Federal income tax for the lower income groups. Actually the social security tax paid by many people is much higher than the income tax which they pay. In fact, in certain family classifications there is no income tax liability, but the social security tax is as high as $94.50 per year. The social security tax is levied on gross pay up to $4,200 per year, without the deductions or exemptions allowed in computing the income tax. Increasing the social security tax for these same people is paradoxical. The social security tax threatens to become the No. 1 tax problem for many millions of people. It may edge the income tax off the center of the stage.

DISABILITY PROVISIONS SHOULD NOT BE LIBERALIZED

The bill contains several provisions for liberalizing disability insurance benefits which are unwise. For example, it provides for monthly benefits for disability insurance beneficiaries, which have not been provided heretofore. It eliminates the disability benefits offset provision, and makes possible collection of double benefits, which would certainly encourage malingering. Retroactive applications for benefits would be allowed and the work requirements would be modified.

In the words of the Ways and Means Committee these changes would "liberalize the act." To "liberalize" simply means paying out more money.

The report states that the special disability fund is in good condition. This is so because the withdrawals in the first year of operation were not as high as was anticipated. This is all to the good, and as it should be. Now it appears that these liberalizing features have been proposed in order to spend the money in the fund faster. It should be recognized that in any program such as this, the number of beneficiaries may be deceptively low during the first 1 or 2 years. After the program is in operation longer, the number of beneficiaries will increase substantially. There is no sound reason for tinkering with the disability program and liberalizing it at this first opportunity to do so since its adoption.

LONG-RANGE PLANNING IS ESSENTIAL

The Social Security Act now provides for the creation of an Advisory Council on Social Security Financing with the duty "to review the status of the old-age and survivors insurance trust fund in relation to its long-term commitments." The Advisory Council is now engaged in such a study. Enactment of new legislation affecting costs and financing should be deferred until the Council's study is completed and its report is submitted.

Before any amendments are adopted, we believe that common agreement should be secured on the basic purposes of the social security system.

If these objectives can be accepted and understood, the program will become more stable, will more adequately meet true group needs and will help individuals and employers in planning supplementary security protection.

CONCLUSION

The House Ways and Means Committee report goes to great length attempting to disprove the statement which has been made many times that the financing of the whole social security program is actuarially unsound. It projects estimates of costs of benefit payments, tax income, and other data up to the year 2020. But all of these data are based upon the benefit amounts and tax schedule which are contained in H. R. 13549. Does this assume that there will be no further amendments to the act between now and 2020? In one estimate the trust fund will be exhausted in 2010. That is only 52 years from now. Then what?

There is no need for sweeping changes in the law every 2 years. We believe that the situation is getting out of hand. We are alarmed when we envision the end product of these intermittent and piecemeal changes. The insidious step-by-step growth and extension of the social security program on many different fronts, and the further pyramiding of the costs must be stopped, or it will pose a serious threat to both the Nation's economy and the morale of the people. This has been proven in other countries, especially in England and Germany.

We feel that the social security program is rapidly snowballing into a gigantic giveaway without due regard to the impact on the future economy of the Nation.

Continuing liberalization of this program can only lead to the saddling of our children and grandchildren with an excessive tax burden which they may not be able to bear. We fear that the continued extension of benefits and higher taxes

will reach the point where the resultant financial burden on both individuals and the economy will nullify any benefits which the welfare of the country may be expected to receive from the social security program.

To millions of people in the United States, the social security system represents the basic foundation for their own retirement security, as well as for the protection of their dependents. Almost every American has a stake in the soundness and stability of this program. As we have previously pointed out, the proposals contained in H. R. 13549 will have a substantial and far-reaching impact on the entire old-age and survivors insurance program. Such a program can only be instituted after a comprehensive study of all of the factors involved, and should not be initiated unless it can be soundly financed and administered.

The provisions of this bill, if enacted, would have far-reaching adverse effects on the well-being of our economy and on the long-run financial soundness of the social security benefit program for the aged and their dependents and survivors, and disabled workers.

We appreciate this opportunity to present our views on this serious matter.

Senator LONG. Mr. James J. Maher.

STATEMENT OF JAMES J. MAHER, CHAIRMAN, SOCIAL SECURITY COMMITTEE, COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.; ACCOMPANIED BY MAHLON Z. EUBANK, COUNSEL, SOCIAL SECURITY DEPARTMENT, COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.

Mr. MAHER. My name is James J. Maher. I appear here as chairman of the social security committee of the Commerce and Industry Association of New York. I am accompanied by Mahlon Z. Eubank, who is counsel to the social security department of that association.

Mr. Chairman, I realize the time that has been taken up of your committee by reading prepared statements. I have a prepared statement which I would like to have entered into the record.

Senator LONG. That may be done.

Mr. MAHER. With your permission, I would like to make some comments on the high spots of it.

As our statment indicates, we are most concerned over the fact there have been many major changes in our social security system in every—well, we have had a pattern of every 2 years since 1950. I think there were four changes in all, and it has now become a fairly regular pattern.

It is not unfair to say that under this pattern, many changes could be made in the future which may not always be in the best interests of a sound program.

As was indicated in the House committee report, revisions which are not always the result of a sound study or an orderly study could jeopardize the soundness of the system; and in that connection, Mr. Chairman, I know this report is familiar to you, but I would just like to mention that the report does indicate, as was considered there, that—

the latest long-range estimates prepared by the Chief Actuary of the Social Security Administration show that the old-age and survivors part of the program (as distinct from the disability part) is further out of actuarial balance than your committee considers it prudent for the program to be.

In addition, it points out:

In addition to the need for action to reduce the insufficiency in the financing of old-age and survivors insurance over the long range, there is need for action to improve the condition of the system over the next few years. This year, for the first time in the 18 years since benefits were first paid, the income to the old-

age and survivors insurance trust fund is slightly less than the expenditures from the fund.

Senator LONG. Of course, as you know, sir, there are some of us who have felt that the program should not be put on the funded basis in any event. For example, some of us feel that this program should have been on more of a pay-as-you-go basis in order that we might provide more liberally for those who retired now, and those in the future should carry the cost and will perhaps be better able to do so than the present taxpayers.

The chamber of commerce position has been, incidentally, that it should be on a pay-as-you-go basis. So while it is true we are not in an actuarial balance, there are some of us who never felt that we should be that way, that we should never try to accumulate a tremendous trust fund.

Mr. MAHER. Yes, sir. My concern would be, and it is probably somewhat old-fashioned, in the sense that I think we have to think of the future younger generation and not consider that we have passed on to them a tremendous load which they may regard as our present generation having ridden piggy-back on them.

Senator LONG. Of course, my general feeling is if we take too much from those who are working today to accumulate these huge funds, in many instances we might have the effect of forcing them to deny their children the opportunity to have a better education or better chance in life, and this might actually take more from the subsequent generation than we would have taken if we had given them a better education and better start in life.

Mr. MAHER. Perhaps, Mr. Chairman, I should say in talking about the point of financial soundness, our organization does favor the principle of pay-as-you-go. We are concerned, of course, when these changes are made and benefit increases are provided, that there should be corresponding increases in the tax structure of the act. We feel, however, that that change might be best made in the form of an increased rate.

Senator LONG. I am frank to say what I have never been able to understand is why the American Federation of Labor and their affiliates have always insisted that the pay-as-you-go approach should not be used. The chamber of commerce has favored it. You tell me your association of commerce and industry favor it.

This so-called funding approach is just a matter of retiring the public debt with payroll taxes, because eventually we will reach the day when the Federal Government will hold $250 billion or $300 billion of funds in one fund, and the public debt in the other, and it simply will be a transfer of payment back and forth, the obligation of the Federal Government being the same, to make these payments as people retired. I do not know of anyone who contends that funds should ever be reduced; they should always be increased.

Mr. MAHER. Yes, sir. I think that our concern is indicated more by the experience this year or the indications in 1959 of the deficiency between the income and contributions as against the estimates which were made some years ago, and that bears on another point in our statement, Mr. Chairman.

I do not wish to imply that we, in our statement, think that all of the Members of this Congress are sensitive to political pressures in

terms of what has happened, but we do feel—I myself have had a great deal of experience with pension planning and programing, and I know when you make a change with so many complex factors involved, that everyone may not be a specialist in this field, with all due respect to Members of Congress, who are very able men in their respective fields, and that sometimes it can be important to have the benefit of long-range, competent study.

I think that was contemplated in the 1956 amendments which provided for the appointment by the Secretary of Health, Education, and Welfare of an Advisory Council, and that Council was, I believe, scheduled to report its findings by the end of this year, and apparently the legislation you now have before you, which is the subject of this hearing, was conceived in the House, as all tax legislation is, and we do not feel this has had the benefit of the full, long-range study, the benefit of the results of a study that would have been made by the Advisory Council.

We think that that, in a way, is better than the piecemeal kind of adjustments we may get which may be conceived rather hastily, and there are many, many changes in this bill, many aspects of the social security system are affected by it.

That is why we prefer and recommend that the committee composed of the Secretaries of Labor, Health, Education, and Welfare, Treasury, and Commerce, be set up to make a study every 2 years, realizing it is important to review the system in the light of changing economic factors.

That committee, however, could do this in a very competent and very orderly system of study, and then the Congress would certainly have the benefit of it.

And I think, too, that if the Congress was in a position to make these changes on the basis of a study of that kind, they could insure the soundness of the system over the long-range point of view.

There are a few other things, Mr. Chairman, I would like to comment on in relation to our report, and if Congress considers it necessary to enact this legislation, with the increased benefits provided of approximately 7 percent, that no increase be made in the tax wage base, but rather, that if it is necessary in the interests of sound financing to provide for additional income, that that be done through a tax rate adjustment on the existing wage base.

There is one thing that has been discussed here, Mr. Chairman, and that is this disability offset provision, and I would like to speak to that with reference, first of all, to the excellent work which has been done in New York under our various rehabilitation programs related to our workmen's compensation laws, and also under the Social Security Act, and I would just like to give you the example of a situation where a married man in New York earning $400 a month, who becomes totally disabled due to an occupational accident, would receive, under the workmen's compensation law, $45 a week or $186 a month for the rest of his life, assuming it was that type of disability.

Senator LONG. For the rest of his life?

Mr. MAHER. Workmen's compensation.

Senator LONG. That is the New York law?

Mr. MAHER. Yes, sir.

Senator BENNETT. I think that is the law in other States where the disability is of such a nature that it can be presumed to last for the

rest of a person's life. I have a friend who was a nurse who acquired TB in a hospital serving a patient, and the State of California awarded her disability for the rest of her life. She has overcome the TB, but the payments run on, on the basis that TB is supposed to be a serious condition. She will get it for the rest of her life.

Senator LONG. It has never been that liberal in Louisiana. It lasted over a period, I was trying to recall, about 8 years, or something, perhaps slightly longer than that, but after that is gone then that is the end of it, and it is only a maximum of $30 a week for that period of time.

Senator BENNETT. There are some States where, by the nature of the disability, the compensation is lifelong.

Mr. MAHER. Well, that certainly is true in New York. I am not familiar with the other States, but I am sure it could be so in other States.

Under this bill, if it is enacted, that same worker, if he is age 50, of course, and over, in 1959, and taking the benefit just for him and his wife, would receive $174, or in other words, a total of $360 a month. That is the $186 plus $174.

All of this would be entirely tax free. And this same individual, when he worked in active employment and earned $400, and assuming an exemption only for him and his wife, would be subject to a straight maximum withholding of $53.60, leaving him a net monthly income of $346.20.

Actually he would be better off with the disability income, that is, the combined disability income, if these changes are enacted, combined with the workmen's compensation benefit, than when he was actively working.

Senator LONG. Is your objection to that the fact that his income would then exceed by $4 what he was making, or the fact that it would provide an incentive for someone to malinger and to decline to rehabilitate himself?

Mr. MAHER. Mr. Chairman, we have found with regard to our New York experience, and I think some of our investigations have shown that, we have had a number of Moreland Act investigations in New York, that there is a natural inclination to offset the efforts made to rehabilitate if there is a financial incentive, depending upon, of course, the nature of the disability and the circumstances of the disability.

I do not know how many situations we would have where that would be so, but there are always those borderline cases where continuing efforts are made at rehabilitation, with some measure of success, and I think that is also true of the measures set up under the social security system.

Now there is one other point in our report, Mr. Chairman, I would like to comment on, and that is——

Senator LONG. There is this point, too, which occurs to me, however, where a person is genuinely disabled, and I am not speaking of malingering, I am speaking of a person where the medical evidence is all there to show he had been completely disabled. Suppose he is working in a plant and acid flies in his eyes and blinds him completely. Generally speaking, you regard a blind man as completely disabled. Even though you could find something for him to do, in a case of that sort he does lose the opportunity to advance and to go ahead and earn more than he had been earning in the past.

Mr. MAHER. Yes, sir.

Senator LONG. If he is disabled at an age, particularly right now—this only applies to age 50 now, but if it should be applied to a younger age, if he is disabled at a stage in life where he had the opportunity to advance and he loses that, the disability payments, of course, if they exceed somewhat his earnings, could never give him what he might have achieved had he been able to advance.

Mr. MAHER. No, sir. In a normal advancement of a man's active career, which is a factor you cannot disregard, he certainly has been deprived of all opportunity to advance careerwise or to advance in terms of income. That would certainly be true, Mr. Chairman.

Senator LONG. In other words, as far as a worthy person is concerned, he would not trade you an additional $4 of income for being disabled and confined to his home for the rest of his life.

Mr. MAHER. I do not think in the majority of cases that would be true.

Senator LONG. Of course, your point is that the income should not exceed what the man was earning at the time he was disabled.

Mr. MAHER. That is right, Mr. Chairman.

Senator LONG. Yes.

Mr. MAHER. Mr. Chairman, on the subject of annual reporting, this is something, again, I am sure you are aware of.

It is not just a matter of what this means to business in terms of millions of dollars of costs, but certainly it also adds a great deal of expense to the Government. On the Federal side, it seems that millions of dollars could be saved annually by eliminating the need for the vast machinery and processing of these records.

I think Secretary Folsom or former Secretary Folsom pointed that up in his testimony before the House, to some degree.

We certainly recognize it in business, and it does cost business many millions of dollars.

Now, at a time when the Government certainly, I am sure, is anxious to find ways to reduce expenses, it seems to me this could result in a substantial savings to the Government if we had annual reporting in place of the present quarterly reporting.

The W-2 form or the procedure that we use for reporting income taxes to the Government on the informational basis could be combined with this reporting for social security.

Senator LONG. Is that in the bill at the present time?

Mr. MAHER. It was discussed before the House in the hearing, but there is no provision in the bill covering this matter.

Senator LONG. In other words, you would like annual reporting in payment of the social-security tax?

Mr. MAHER. Yes, sir. Means could be set up as it is now for the remitting of the funds so there could be protection against defalcation or the actual withholding of the employees' contributions, but the reporting aspect in detail to be on an annual basis instead of the present quarterly basis of reporting the detailed earnings for each separate employee and the tax withheld.

I understand, I think, former Secretary Folsom pointed out——

Senator LONG. As a matter of fact, we have the averaging process in this bill, so far as the welfare payments are concerned, and that would help the Department to administer a welfare program rather

than trying to check how much each individual payment was, and set it up on a case-by-case basis, 10,000 cases for a single State, for example.

Mr. MAHER. Yes, sir.

Senator LONG. Administratively, that would relieve them of a great burden. If we could ever work out something to relieve you employers of all the detailed bookkeeping and let you average out your remittances based on social security and unemployment payment, it certainly would ease your burden.

Mr. MAYER. It certainly would be a great improvement over the present procedure, Mr. Chairman.

Mr. Chairman, that is all I have to offer or comment on with respect to our statement or this bill.

I appreciate the opportunity to appear before this committee and present our views on this bill.

Senator LONG. Thank you very much.

(Mr. Maher's prepared statement follows:)

STATEMENT OF THE COMMERCE & INDUSTRY ASSOCIATION OF NEW YORK, INC., CONCERNING LEGISLATION AMENDING THE SOCIAL SECURITY ACT

Presented by James J. Maher, chairman of the social security committee of Commerce & Industry Association of New York, Inc., and assistant vice president of Chase Manhattan Bank

Commerce & Industry Association of New York, Inc., the largest service chamber of commerce in the East, represents approximately 3,500 employers, large and small, in all branches of industrial and commercial activity, including many corporations headquartered in New York but engaged in multistate activities. Through its social-security committee, which includes many of the Nation's leading tax and personnel executives, and its social-security department, the association studies and actively represents management thinking on legislation involving the Social Security Act. The Commerce & Industry Association appreciates the opportunity to appear before your committee for testimony on this important proposed legislation.

The principal subject of this hearing is the Mills bill, H. R. 13549, recently passed by the House of Representatives. At the hearing before the House Ways and Means Committee when legislation on this subject was being considered, the Commerce & Industry Association submitted a statement dealing with the broad issues of social-security legislation. In effect this statement pointed up the policies adopted by the association in the field of old-age and disability insurance. Since they are pertinent to the subject of this hearing, we hereby submit them to your committee and ask that they be considered in connection with any social-security legislation that may be enacted.

COVERAGE

We favor broad extension of coverage since this forms the basis for the soundest kind of program.

The coverage of substantially all gainfully employed persons (to the extent administratively feasible) is an essential requirement of a sound social insurance system. Such a system should be developed to give a basic minimum of economic protection. Special exemptions have progressively harmful effects on the benefits of those persons who move from covered employment to employment left uncovered by the act.

Integration of railroad retirement and Federal civil service programs with OASI would be highly desirable. Today 1.9 million Federal employees are under civil service and 1.2 million railroad employees are covered under the railroad retirement program. These employees should be covered by the basic social-security system with the present special systems for them modified so as to produce results comparable to the overall benefits provided from private industry pension plans and OASI.

Another area in which coverage should be extended involves United States citizens employed by foreign subsidiaries of American companies. At the present time such employees may not be covered unless each and every one is covered. We recommend amending the law to permit the coverage of any number of such employees with the proviso that all new employees subsequently hired would be automatically covered.

FINANCING

We favor a system of financing completely supported by payroll taxes and based on the pay-as-you-go principle. The payroll taxes should be contributed equally by employer and employees.

A true pay-as-you-go system makes the taxpayer conscious of the actual cost of old-age protection, balancing what might be considered desirable on the one hand against the cost of financing the program on the other hand.

For 1957, social security taxes (not including taxes for the new, separate disability program) yielded approximately $6.0 billion while benefit payments totaled $7.8 billion. It was the first year since the inception of the program in which contributions failed to cover benefit payments. Administrative expenses came to $102 million, but interest earned on the $22.4 billion fund totaled slightly over $537 million. Thus the system just above broke even. It was not expected to need the interest income to break even before 1959.

For 1958, the likelihood of a deficit contrasts with a previous prediction of a $600 million surplus during the year. It is now estimated that 1958 contributions will bring in $7.8 billion and interest earnings will be about $600 million, indicating a deficit of $500 million.

For 1959, present expectations are that the fund will run $500 million in the red compared with an earlier expected increase of $250 million. Contributions are due to bring in $8.6 billion and interest $507 million. Benefits may climb to $9.5 billion, while administrative expenses stay at $156 million.

To the extent that the Government is making payments in the form of interest on the debt, the Government is making a substantial contribution to the social-security financing. Such interest payments must be made out of the tax revenues of the Federal Government. Placing the system on a true pay-as-you-go basis would eliminate such Government contributions, leaving the reserve fund available for contingencies as explained later.

As a means of implementing the pay-as-you-go concept, we favor a periodic 2-year review of tax needs to provide the benefits. Under such a plan we propose that in each odd-numbered year a committee, composed of the Secretaries of the Treasury, Commerce, Labor, and Health, Education, and Welfare, merely advise the Congress on the estimated benefits to be paid during the next 2 calendar years based upon the then existing benefit schedules and, further, advise the Congress of the contributions necessary to finance these benefits. If it is found that the benefit costs would exceed the amounts collected through payroll taxes, we recommend that the additional amount be paid out of the reserve. Further, if during the 2-year period Congress increases the benefits under the law or amends the law in any manner that would seriously affect the committee's benefit estimates, then the committee would be obligated to recommend a new tax rate to the Congress which would then enact legislation making the new rate effective for the succeeding calendar year or years.

Under such a proposal there would be no need for automatic graduated rates as presently provided under the law, since, as we have seen in the past, no one can predict with accuracy the tax needs for any extended future period. The review by this committee would cover the pension and survivorship fund and the fund for disability benefits. The two funds should be maintained separately so as to indicate the cost of each program.

TAX ON SELF-EMPLOYED

The contribution rate for the self-employed should be equivalent to the contribution rates of the employer and employee combined.

We cannot agree with any proposal that self-employed individuals should pay only 1½ times the employee contribution rate and be subsidized in relation to the amounts required for an employee in covered employment.

The self-employed should pay the combined rate of both the employer and employee, and it is our recommendation that at least one-half of such combined tax be permitted as a business expense on the self-employed's income tax return. This deduction would conform with the deduction of OASI tax now permitted as a business expense to employers.

INCOME-TAX TREATMENT OF CONTRIBUTIONS AND BENEFITS

We do not favor permitting the deduction of OASI contributions on personal income-tax returns while continuing the exclusion of social-security benefits from taxable income.

We recommend that study be given to the feasibility of permitting the deduction of OASI contributions on personal income-tax returns while at the same time requiring that benefits received be treated as taxable income. With an increasing number of persons collecting OASI benefits, many beneficiaries are given an unneeded and inequitable tax advantage with discriminatory effect in relation to the taxable status of insurance annuities and private pensions. Making OASI benefits taxable would not affect those whose principal income on retirement is derived from OASI benefits, since those over age 65 have the benefit of double exemptions.

TAX-BASE LIMITATION

We strongly urge retention of the existing tax base with $4,200 as the maximum amount of wages subject to contribution and used in the computation of benefits.

If the system is placed on a pay-as-you-go basis, we recommend that the additional revenues required to cover the cost of existing or increased benefits be met through an increase in the rate of contribution rather than by increasing the wage base.

BENEFITS

Social security benefits should be related to wages and should provide benefits which represent a basic floor of protection.

It was never contemplated that benefits should be set at the level of comfortable living. In our present social order a substantial number of employed individuals are provided with private pensions and those in the professional and self-employed categories are expected to provide, in addition to this basic old-age insurance protection, some part of the financial provision for their old age.

Benefit increases have been made over the years. Since 1951 the benefits have increased by more than 100 percent. During this period the maximum primary benefit has gone from $42.20 a month to $108.50. The maximum survivorship benefit rose from $90.40 to $200.

It is recognized that to provide a minimum floor of protection it is necessary to protect present beneficiaries and prospective beneficiaries from the inroads of inflation and insure that benefits are reviewed from time to time in the light of changing economic conditions.

The committee which we have proposed to conduct periodic reviews of the system could also be charged with the responsibility of advising the Congress of the need for changes in the act to meet economic fluctuations.

REDUCTION IN AGE

We do not favor a reduction in the eligibility age of retired male workers from the present age 65 and for the female workers or widows below the present age of 62.

Congress should take no action which would discourage the hiring of older workers. To maintain our favorable economic position in competitive world markets and keep abreast of the needs of a rising population, the skills of the older worker must be used. It would not be sound or fair for the younger worker, through an ever-increasing tax rate on his salary paid by himself and his employer, to pay for the retirement of a substantial segment of our population who could work and are available for employment.

We believe that any reduction in the retirement age would be undesirable for the following reasons:

1. The present retirement age of 62 for women already discriminates against the men. To lower this age further will increase such discrimination and may cause a commensurate reduction in the retirement age for men.

2. Company, industrial, voluntary, or Government pension plans have grown at an accelerating rate. They are geared to the Social Security Act as to the age of retirement. Further lowering the age would conflict with and greatly complicate the administration of the numerous private pension plans which set the normal retirement age at 65.

8. These private pension plans plus social security have resulted in a constantly increasing number of workers retiring at the age of 65 and at a time when life expectancy is increasing. Lowering the age for social security benefits will facilitate compulsory retirement under private pension plans, thereby inducing voluntary retirement at an age that would be contrary to the national interest.

WORK TEST

We do not favor any liberalization in the work test and recommend that the work test applicable for both the employed and self-employed be made equitable in determining entitlement to benefits.

Under the present law the work test is on an annual basis. In any year before the beneficiary reaches 72 and earns more than $1,200, the number of monthly benefit checks due him for the year will depend on the amount of his total earnings and on how much work he did in each month. In general, the beneficiary loses his right to 1 month's benefit check for each $80 (or fraction of $80) of earnings over $1,200 in the year. No matter how much the beneficiary earns in a year, however, he can receive the monthly payment for any month in which he neither earns wages of more than $80 or renders substantial service in self-employment. After the beneficiary reaches age 72, this earnings test does not apply.

The present provisions discriminate in favor of the self-employed because of the test of substantial earnings in a given month. It leads to discrimination whereby an individual can earn in 1 month a large sum of money and still be entitled to the collection of monthly benefit checks even though the $1,200 limit has been exceeded. We believe that to make the work test equitable, the $1,200 limit should apply to both the employed and the self-employed without the test of substantial services in the latter case, and that 1 month's benefit be suspended for each $80 earned in excess of $1,200.

DISABILITY

We do not favor liberalization or extension of the disability features of the program, but recommend that provision be made for the inclusion of dependents of disabled persons in the determination of benefits just as is presently done in the old-age and survivors insurance.

In line with this position we are opposed to—

(a) Further liberalization of the disability benefit freeze provisions;

(b) Lowering the age for disability benefit entitlement under 50;

(c) Inclusion of hospitalization or any other benefits not presently in the program and not connected with the wage loss concept of the program.

ANNUAL REPORTING

We favor the elimination of quarterly wage listings and the adoption of annual reporting for social security purposes.

There is no justification for continuing the quarterly reports. Quarterly reports complicate the payroll and accounting procedures of every business firm. They add greatly to the operating expenses and they are a complete economic waste. There is no reason why social security wage information for an uncompleted calendar year could not be secured on a request basis when necessary. As a matter of fact, the records themselves are usually 6 months late in being posted, so that when current wage information is necessary in connection with a survivor's claim for benefits it is necessary for the social security agency to secure current information from the employer.

On the Federal side, millions of dollars could be saved annually by eliminating the need for processing these records. At a time when the Government is searching for ways to reduce expenditures by billions, the saving of millions will help. The W-2 form for income tax purposes and form 941 should be combined in a single annual report.

It would be well to point out that reporting of wages for the self-employed has been on an annual basis and worked well. In the same manner as with the self-employed, four quarters of coverage can be credited for each year in which the individual had earnings of $400 or more.

H. R. 13549

With respect to the provisions of H. R. 13549 as passed by the House, we submit for your consideration these observations:

This bill liberalizes the benefits and also makes provision for increased taxes to finance the benefits. On page 8 of the report of the House Ways and Means Committee on this bill, the following statement appears:

"In addition to the need for action to reduce the insufficiency in the financing of old-age and survivors insurance over the long range, there is need for action to improve the condition of the system over the next few years. This year, for the first time in the 18 years since benefits were first paid, the income to the old-age and survivors insurance trust fund is slightly less than the expenditures from the fund. If no changes are made, outgo will continue to exceed income in each year until 1965. Your committee believes that a situation where outgo exceeds income for 7 or 8 years is one that should not be permitted to continue. *We believe that public confidence in the system—so necessary if it is to provide real security for the people—may be impaired if the trust fund continues to decline.*" [Emphasis supplied.]

We commend the House committee for evidencing concern that public confidence in the system could be impaired if the fiscal stability of the fund is weakened. Our association is also concerned about the financial soundness of the system and urges that no measures be enacted which will in any way impair its soundness.

In 1956 the Congress evidenced the same concern and granted to Secretary Folsom the authority to appoint top experts in the field of labor management and education to serve as members of an Advisory Council on Social Security Financing with instructions to report the results of their findings and make recommendations to the Congress by the end of 1958. We therefore strongly urge that in the interest of a sound social security program no action be taken by Congress to amend the act until it has had the benefit of the Advisory Council's study. Changes that are the result of a competent and thorough study will prove more beneficial to the people of this Nation than those which are hastily conceived and enacted under any kind of pressure or for reasons of expediency.

We recognize, however, that Congress may consider it necessary to enact some legislation at this session. In that event we would prefer that—

BENEFIT INCREASE—TAX BASE

The 7 percent benefit increase be applied to existing and future beneficiaries. This would result in the present maximum of $108.50 being increased to $116 without any change in the $4,200 tax base.

At this time there is no need for haste to increase benefits beyond what would be available under the $4,200 base because on page 11 of the report of the House Ways and Means Committee it is pointed out that—

"For those coming on the rolls in the future, the range of benefit payments, taking into account the increased earnings *base, would be from $88 to $127, although it will be many years before anyone will be able to get the maximum amount.*" [Emphasis supplied.]

In fact the vast majority of workers who are credited with $4,200 (the maximum) in 1956, 1957, and 1958 for the purpose of determining their average monthly wage when they retire will never qualify for the maximum primary benefit of $127 under H. R. 13549. In fact, under this bill no one who retires in 1959 will be able to obtain a primary benefit of more than $119. There would be very few who could achieve a primary benefit over $116.

TAX INCREASE

We acknowledge that if Congress at this time makes only a 7 percent increase in benefits with a maximum primary benefit of $116, an appropriate increase in the tax rate may be necessary. In that event we would not favor increasing the wage base to provide additional revenue but believe this might be accomplished by increasing the tax rate on the existing wage base.

In our opinion the major changes in the social-security structure provided for in H. R. 13549 were not the result of adequate study.

An illustration of this lack of study is the elimination of the disability benefit offset provisions. Under these provisions workmen's compensation will no longer be deducted from disability payments. Obtaining both disability payments and workmen's compensation will result in many cases of the individual receiving more in benefits for both programs than he would receive while working. Take, for example, a married man in New York earning $400 a month who becomes totally disabled due to an occupational accident. He would receive under the workmen's compensation law $45 a week or $186 a month for the rest of his life. Under this bill, if the same worker is age 50 or over in 1959 he and his wife would receive $174 in addition ($116 plus $58) in disability benefits. This would provide a combined monthly income of $360 ($186 plus $174), all of which would be entirely tax free. While this same individual worked, however, the $400 he earned in wages was subject to income tax and, more specifically, a monthly Federal income tax withholding of $53.80, leaving him with a net income of $346.20. This could have the effect of counteracting the excellent rehabilitation programs that have been set up to help these individuals.

CONCLUSION

Many authorities concerned with the long-range soundness of the social security program do not feel that there has been ample opportunity to determine whether the many major changes in H. R. 13549 are sound from every point of view.

The general welfare of our Nation and its economy is closely integrated with our social-security system. It should be properly balanced with the needs of the aged, the general welfare of the community and the best interest of our economy.

For these and other reasons we have stated we urge that no changes be made in the Social Security Act until Congress has had the benefit of an adequate study to guide it in determing what revisions would be in the interest of a sound system.

Senator LONG. This concludes the hearing so far as the public witnesses are concerned.

Tomorrow morning, Secretary Flemming will return for a short period of questioning at 10 o'clock.

(By direction of the Chairman, the following is made a part of the record:)

NEW YORK STATE CATHOLIC WELFARE COMMITTEE,
Albany, N. Y., August 8, 1958.

Hon. HARRY F. BYRD,
Chairman, Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: There is before your committee for consideration H. R. 13549 by Mr. Mills, introduced in the House of Representatives on July 28, 1958. I have been advised that your committee has provided for hearings thereon to be held on August 8 and 11. I regret that circumstances prevent my arranging to appear at the hearings so fixed. I am, therefore, submitting herewith for the consideration of the committee our views with respect to one portion of the bill.

On behalf of the many voluntary charitable endeavors of the Catholic Church in New York, our committee has participated with continued interest in the development and growth of programs in the field of social welfare, and in particular in the field of maternal and child welfare. For this reason, we have a deep and abiding interest in the program established by the Federal Government under title V of the Social Security Act.

We have not had the opportunity to give consideration to the many and varied provisions of the bill under discussion, and, therefore, confine our comment to section 601 thereof, page 97 of H. R. 13549.

This section of the bill before your committee, H. R. 13549, proposes a major and significant change in the structure of the program provided by title V, part 3, of the Social Security Act in that it proposes that the funds thereunder be made available for any programs in the field of child welfare in place of the present

sound limitation that Federal participation be used in predominated rural areas and areas of special need.

In our considered view, the present provisions of the law defining the scope of utilization of part 3, title V, funds has a sound historical and effective basis. It is intended to foster and encourage the development of adequate programs in the field of child welfare by public and voluntary agencies. It is stimulant to local endeavor which is one of the highest purposes for the expenditure of Federal funds.

The proposed change would open up to the Federal program and the subsidization of any programs in the field of child welfare and would become a primary program, in substitution of local effort, both public and private, rather than a stimulant in special areas of need.

The particular concern which the proponents of this change have expressed can be effectively met by appropriate administrative discharge of the statutory mandate. The definition of "area of special need" may encompass, if justified, many of the programs for which support is sought through the change in the statute. Indeed, a more forthright approach to the implementation of the congressional mandate, particularly with respect to the utilization of existing voluntary agencies, and their participation in planning, would have a more salutary effect than the proposed removal of the statutory limitation.

In expressing our opposition to this portion of the bill under discussion, we urge that the proposed change be deleted from the bill and that the general subject be given further study at the next session of Congress. At that time, it would be helpful to know more of what has been done to carry out the present provisions of the law.

Respectfully submitted.

CHARLES J. TOBIN, JR., *Secretary.*

NEW YORK, N. Y., *August 7, 1958.*

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.:

Social Security Act as amended by H. R. 13549 provides that totally and permanently disabled employees, 50 years of age or more could collect both workmen's compensation and full social security benefits at the same time.

In New York State this would mean that a married man could collect over $300 tax free income. This is extremely objectionable because it destroys incentive for injured employee to become rehabilitated and return to work thus increasing the cost of workmen's compensation insurance. It destroys the effectiveness of insurance companies rehabilitation programs.

It is requested that H. R. 13549 be amended by striking out the provision that would repeal the deduction of workmen's compensation from social security disability benefits.

I would like to have this wire read into the record at the hearing next week.

ROBERT J. BARR, *Mount Vernon, N. Y.*

STAUFFER CHEMICAL CO.,
New York, N. Y., August 5, 1958.

Hon. HARRY F. BYRD,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR BYRD: This letter is written to ask your thoughtful consideration of all of the implications of H. R. 13549, liberalizing OASI benefits and changing fundamentally the matching formula for grants to States for public assistance. The overwhelming majority by which this measure passed the House testifies to the political appeal social-security liberalization has during an election year. The writer has followed closely legislation in this field for many years, and it is his considered opinion that H. R. 13549 is against the public interest. It should be killed by courageous statemenship in the Senate.

The company for which the writer administers benefit programs, Stauffer, operates a plant at Bentonville. This is why he presumes to write you.

The report of the House Ways and Means Committee stated that benefits would be increased by 7 percent. Actually benefits would be increased by between 7 percent and 17 percent. It states that the increased revenues (from raising

the wage base from $4,200 to $4,800) will be ample to take care of the increased future costs. But the actuaries who made this estimate also told the Congress when the law was amended in 1950 that the trust fund would increase each year for the next three decades. In less than 2 years these actuaries were proved wrong—trust fund income is now less than trust fund disbursements. It would be foolhardy to accept these actuarial estimates again without careful checking by other qualified actuaries.

The proposed changes in the formula for matching Federal dollars for State public assistance are the most serious of all. Limitations of time and space permit only the observation that they will erode away State's rights to a degree greater than any other legislation in many years.

If the pattern of liberalising social security every 2 years persists where will it ever stop? Is it asking too much of today's Congressmen to be concerned about the financial liabilities of future generations when they are elected by the votes of this generation? The writer sincerely believes not, and so he urges your vigorous opposition to the measure before you.

Very truly yours,

T. B. GIBSON,
Manager, Employee Relations.

GREATER TAMPA CHAMBER OF COMMERCE,
Tampa, Fla., August 4, 1958.

Senator HARRY FLOOD BYRD,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: It has been evident, for some years, that an actuarial deficiency exists in the present social-security program. An Advisory Council on Social Security Financing was established in 1956, to study and recommend a new program.

The board of governors of the Greater Tampa Chamber of Commerce has adopted a resolution requesting no legislative action be taken in the field of social security until the findings of this council are presented and a sound, long-range program can be developed.

We respectfully submit that consideration of social-security legislation would be premature until a full study by the Advisory Council is available.

Sincerely yours,

H. L. CROWDER, *President.*

RESOLUTION

Be it resolved by the board of governors of the Greater Tampa Chamber of Commerce, That legislation in the field of social security should not be considered during this session of Congress.

The board of governors has taken this action because:

1. There is a study pending by the advisory council on social-security financing, which was established by Congress in 1956, pursuant to the endorsement by business and labor. Consideration of any changes in the social-security law involving new costs and thus requiring additional taxes should be postponed until this study is completed in 1959.
2. The present actuarial deficiency in the social-security system should be corrected before any change is made which would increase costs.
3. To maintain a sound and equitable social-security system, the actuarial deficiency should be corrected by an increase in social-security tax rate.
4. An increase in the taxable wage base is undesirable, because it deviates from the basic floor-of-protection principle of the social-security plan. Congress clearly intended that workers should have the responsibility to build up old-age income for themselves. It did not intend that social security should become a complete support plan for most workers in their old age.
5. If Congress should raise social-security benefits now or at any future time, the added costs should be immediately and fully met by an increase in the tax rate on the prevailing wage base set out in the law.

Adopted this 25th day of July 1958

THE BOARD OF GOVERNORS,
THE GREATER TAMPA CHAMBER OF COMMERCE,
By H. L. CROWDER, *President.*

Attest:

W. SCOTT CHRISTOPHER, *Secretary.*

STATE DEPARTMENT OF PUBLIC WELFARE,
Baltimore, Md., August 6, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Senate Office Building, Washington, D. C.

DEAR SENATOR BYRD: Recently I had the privilege of appearing before your committee to discuss the relationship of the Federal Government and the Social Security Act to the public-assistance program throughout the country.

H. R. 13549, carrying amendments to the social-security bill, has passed the House, and, with many others, I am urging favorable consideration by your committee. This measure makes extremely important additions to the public-assistance sections of the Federal act. It proposes amendments which have been sponsored by the public-welfare administrators of the country over a long period of years. Specifically, it:

1. Recognizes the importance of equalization by making more money available to the States that have the least tax resources. I might point out that my own State of Maryland is one of the rich States of the union, with a high per capita income, and would not be one of the States to benefit by this equalization feature. However, there can be no doubt but what this is a real advance in the basic program and one which, in turn, should mean a good deal to many thousands of Americans in the States with the least taxable resources. This variable matching formula of from 50 percent minimum to 70 percent maximum after the first $30 in old-age assistance, aid to the permanently disabled, and public assistance to the needy blind, and for aid to dependent children after the first $18 represents a notable advance.

2. To Maryland and to many other States, the great advantage will be the provision that matching shall be on the average grant, including both money and individual payments, and not on individual grants. This should make not only for sounder bookkeeping, but represents an infinitely better base for matching.

3. The new matching is, in a sense, simply putting the present matching and adding to it the matching for medical care, which is now separate. Medical costs are expanding rapidly, and this is a recognition that the cost of medical services are as necessary as food and clothing, etc., and should be included in the same grant.

Let me say one further word about the suggested increase in the sum to be authorized for child-welfare services. It has always seemed to me that child welfare has been the service about which we do the most talking, but it has been the least recognized by the Federal Government. America badly needs additional services in the field of working with children, and even this small additional amount should result in many good things.

We stand ready in the Maryland State Department of Public Welfare to do anything we can to forward these amendments, and would be glad to make available to your committee any factual material that you may desire.

Respectfully submitted.

THOMAS J. S. WAXTER, *Director.*

P. S. Incidentally, the passage of this act would permit the various States in the Union to submit their budgets for next year with some degree of security. As you know, the McFarland amendment terminates as of September 30, 1959, which makes budgeting for that year with any degree of certainty impossible at the moment.

AMERICAN FARM BUREAU FEDERATION,
Washington, D. C., August 8, 1958.

Re social security amendments, H. R. 13549.

Senator HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D. C.

DEAR SENATOR BYRD: H. R. 13549 now under consideration by the Finance Committee increases the benefit amounts under the old-age and survivors and disability insurance programs. It also increases the rate of tax, and at the same time increases the amount of earnings to be taxed. The American Farm Bureau Federation is opposed to further liberalization of the old-age and survivors insurance program.

The amendments adopted by Congress in 1956 established an Advisory Council on Social Security Financing for the purpose of making a thorough study of the financial condition of the trust funds in relation to the long-run commitments of the program. If the work of this Council is to be respected, and we certainly think it should, it would seem that further amendments should await the results of their studies.

Farmers have not asked for increased benefits under the program, and will certainly find it increasingly difficult to meet the tax requirements imposed by this legislation.

The Senate Finance Committee is urged to postpone further consideration of this bill at this session of the Congress.

We request these views be made a part of the hearings on H. R. 13549.

Sincerely yours,

JOHN C. LYNN, *Legislative Director.*

BILLINGS CHAMBER OF COMMERCE,
Billings, Mont., August 5, 1958.

Senator HARRY F. BYRD,
Senate Finance Committee,
Washington, D. C.

DEAR SENATOR: Last fall the Billings Chamber of Commerce went on record as opposing expansion of the social-security program.

Chamber action August 1 resulted in reaffirming of this policy and also put the Billings chamber on record as opposing the amendment now before Congress (passed by the House of Representatives July 31) to liberalize benefits. We realize the average monthly increase of $4.55 and the $1,335,000 increase in monthly benefits to Montana residents has a great appeal in an election year.

However, only benefits to recipients have been given publicity. Neither direct costs to the millions of workers who pay social-security taxes nor the speeding up of the schedule to raise rates further with further costs to both employees and employers is explained fully in publicity.

Increase in payment in 1959 from 2¼ percent to 2½ percent sounds negligible. However, with increase in wage base from $4,200 to $4,800, this represents an increase in payment for both employer and employee of 27 percent. Additional increases would be accumulative, ranging from 24.7 percent increase in 1960 to 58.2 percent increase in 1969.

Direct tax cost to county residents in 1959, through payment of public employees, would be $17,621.11, including an additional $10,432.57 for school district No. 2 employees alone.

The amendment would increase payments an average of $46.80 for employees (and employers) each year for the next 20 years, an average annual increase of $70.20 for 20 years for self-employed persons. Reaching a maximum payment of $216 in 1969, rather than a maximum of $178.50 per year in 1975, will add considerably to the cost of doing business and will cut deeply into income of working people.

We hope that you will consider this and oppose liberalization of the social-security program under this amendment. We will make every effort to publicize the cost of this proposed change.

A poll of employees in our building shows them 100 percent opposed to raising social-security taxes.

Sincerely yours,

HOWARD C. PORTER, *President.*

Comparison of rates and maximum contributions under the current social-security law and the proposed amendment

EMPLOYEE AND EMPLOYER EACH CONTRIBUTE—

	Present law		Proposed law		Percent of increase, maximum contribution
	Rate (percent)	Maximum contribution	Rate (percent)	Maximum contribution	
1959	2½	$94.50	2½	$120	27.0
1960	2½	118.50	3	144	21.7
1975	2½	118.50	3½	168	41.8
1990	3½	126.50	4	192	40.7
1999	3½	126.50	4½	216	58.2

SELF-EMPLOYED PERSON CONTRIBUTES—

1959	3½	$141.75	3½	$180	27.0
1960	4½	173.25	4½	216	21.7
1975	4½	173.25	5½	252	41.8
1990	4½	201.75	6	288	40.7
1999	4½	201.75	6½	324	58.2

Estimated cost to the local governments of the proposed social-security amendments

	School district No. 2	Yellowstone County	City of Billings	Total local governments
Employers' share of social security contribution [1] 1957 58 fiscal year	$52,161.38	$18,309.93	$22,768.49	$93,239.80
Estimated increase due to proposed law, 1959	10,432.57	3,204.06	3,984.48	17,621.11
Estimated 1959 social security	62,593.95	21,513.99	26,752.97	110,856.91
Estimated increase due to proposed law, 1990	12,518.79	4,301.99	5,350.59	22,171.37
Estimated 1990 social security	75,112.74	25,823.98	32,103.56	133,040.28
Present law would increase taxes in 1990	11,760.26	4,054.58	5,054.40	20,769.44
Proposed law would increase taxes in 1959 and 1990	22,951.36	7,508.05	9,335.07	39,794.48

[1] Employees would contribute a like amount and would also pay the increases.

MONTGOMERY, ALA., *August 6, 1958.*

Hon. JOHN SPARKMAN,
Senate Office Building, Washington, D. C.:

H. R. 13549, as passed the House, would materially benefit the aged, blind, disabled, and dependent children receiving public assistance in Alabama as well as increasing social-security payments by about 7 percent. We appreciate your support of liberalizing amendments to the Social Security Act. Know you will confer with Senator Byrd and use your influence toward passage of this bill by Senate.

JAMES E. FOLSOM,
Governor, State of Alabama,
Chairman, State Board of Pensions and Security.

BISMARCK, N. DAK., *August 4, 1958.*

Hon. WILLIAM LANGER,
Senate Office Building, Washington, D. C.:

Recent steel price hike, Middle East tension, and trouble make sure steady rise in cost of living. State welfare board recent food study made showed 7.8 percent rise in 1 year. Savage decimation of fixed incomes as public assistance recipients not only requires, but demands, treatment by Government. Increases will only fill gap caused by brutal living costs rise. Would appreciate vigorous and zealous support of H. R. 13549, now, we understand, in Senate Finance Committee.

Sincerest regards.

CARLYLE D. ONSRUD.

COMMONWEALTH OF PENNSYLVANIA,
DEPARTMENT OF PUBLIC WELFARE,
Harrisburg, August 8, 1958.

Hon. JOSEPH S. CLARK,
Senate of the United States, Washington, D. C.

DEAR SENATOR CLARK: I understand that H. R. 13549 is before the Senate, and that hearings will be held beginning today by the Senate Finance Committee.

I will appreciate your efforts in behalf of the passage of this legislation, particularly because:

1. An estimated additional $9 million would be available under this bill annually from the Federal Government to match State funds for public-assistance grants. This would be very helpful to the people who are on our assistance rolls in various categories. Our grants today are now from 35 to 50 percent below minimum standards of human decency.

2. OASI benefits would be increased by 7 percent, which would decrease the amount of supplementary public assistance which the State is now granting recipients of small benefits and would make the decreased amount available for additional distribution in other categories of assistance.

3. The dependents of recipients of disability benefits on our rolls will become eligible for benefits, which would reduce the amount of our public-assistance grants to these dependents and make the savings available in other categories.

4. Accounting details would be simplified. This would result in saving in administrative costs, because Federal grants would be made under this bill on averages rather than individual cases.

5. The outmoded restriction of child-welfare funds to rural areas would be eliminated and would permit the funds to be used in urban areas as well. This would enable us to make allocations for child-care programs in crowded cities now ineligible for these Federal funds.

6. More Federal child-welfare funds would be available and would thus allow us to increase the State's contribution to local child-welfare programs through our program of reimbursement to counties.

7. This bill extends the special provision regarding the aid-to-the-blind program to June 30, 1961. Unless this provision is extended, Pennsylvania will receive no Federal funds for its State blind-pension program. It would be most desirable if this provision could be made permanent so as to avoid the uncertainty which attends our budget making each biennium expiration date of the Federal funds appropriation. However, if it is impossible to accomplish this, it is essential to at least provide for the extension well in advance so that proper planning and budgeting can be made for the welfare of the needy blind persons in Pennsylvania.

The provisions of this bill have been advocated for years by many private groups. The provisions will greatly assist the State in its efforts to improve the public-assistance and child-welfare programs.

Sincerely yours,

HARRY SHAPIRO,
Secretary of Public Welfare.

AMALGAMATED MEAT CUTTERS
AND BUTCHER WORKMEN OF NORTH AMERICA,
Chicago, Ill., August 12, 1958.

Hon. HARRY F. BYRD,
Chairman, Senate Committee on Finance,
United States Senate, Washington, D. C.

DEAR SENATOR BYRD: To conserve the very valuable time of the Committee on Finance, we are taking the opportunity of presenting our views concerning H. R. 13549, the Social Security Amendments of 1958, in this letter, rather than in oral testimony. The nearness of the adjournment of Congress requires that the committee give speedy consideration to this bill, and in this we wish to cooperate.

On behalf of our union's 350,000 members, we strongly urge that the committee report H. R. 13549 favorably. This measure, we believe, is a minimum improvement necessary for the Social Security Act.

Frankly, our union had hoped for a more widespread amendment of the Social Security Act. We had hoped for permanent Federal standards for unemployment compensation. We had hoped for a program of hospitalization,

nursing, and surgical care for the aged. And we had hoped for much greater improvements in the benefits paid under the old-age, survivors, and disability insurance program.

However, the realities of congressional adjournment face us. Although the provisions of H. R. 13549 do not go far enough in taking care of the problems of the aged, the disabled, and survivors, it does meet some of their needs. The average increase of 7 percent in benefits paid under the OASI will be helpful. It will meet some—although not all—of the increases in the cost of living, which have taken place since the last change in the benefit structure and contribution schedule of OASI in 1954.

We, therefore, strongly urge quick approval by the committee of H. R. 13549 and by the Senate.

Very truly yours,

T. J. LLOYD,
International President.
PATRICK E. GORMAN,
Secretary-Treasurer

PROVIDENCE, R. I., *August 8, 1958.*

Hon. THEODORE FRANCIS GREEN,
United States Senator, Washington, D. C.

DEAR SENATOR GREEN: H. R. 13549, the social-security bill, has passed the House. This bill provides for increases in the public-assistance program which will be beneficial to the 24,277 individuals affected by the Federal-State program as well as the State financial picture. The bill also contains constructive changes in old-age and survivors insurance. It is estimated Rhode Island will receive an additional $1,478,000 in Federal funds. The Federal Government is now sharing in 41 percent of the overall costs of public assistance in Rhode Island, including non-Federal matched general public-assistance program. The increase in Federal matching would enable a more reasonable sharing of expenditures with the Federal Government and would influence the budget allotments which are made to individual families. I urgently request your support of this bill which is in the Senate Finance Committee. We are all aware of the conviction which you have shown in social legislation throughout your public life and believe that this bill merits your support and that its passage will result in considerable benefit to the citizens of Rhode Island.

JAMES H. REILLY,
Public Assistance Administrator.

DENVER, COLO., *August 8, 1958.*

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.:

Millions of senior citizens, including members of organization I represent, look to Senate Finance Committee for realistic social-security measure this year. My organization strongly urges at least 20-percent increase in benefits, lowering of age eligibility to 60 for both men and women, complete disability protection regardless of age as minimum changes necessary to salvage bill, passed by House.

DR. FRANCIS E. TOWNSEND.

STATEMENT BY SENATOR JOHN F. KENNEDY ON SOCIAL SECURITY BILL (H. R. 13549)

Mr. Chairman, the social-security bill pending before you today contains a number of important improvements. The bill as passed by the House of Representatives is designed to adjust benefit levels to meet the high cost of living. While the bill does not contain all the basic changes which are necessary, it does make many changes which should be promptly enacted for the benefit of our people and our economy.

I have submitted three amendments to the bill which I urge the committee to include in the bill:

1. Increasing social-security benefits 8 percent—to match the increased cost of living (cosponsored by Senator Case of New Jersey)

The social-security bill increases benefits 7 percent. This is not enough. At the very least, our older citizens should receive an increase in benefits commensurate with the increase in the cost of living. The bill is frequently de-

scribed as an adjustment to meet the increase in the cost of living. But since benefit levels were last amended in 1954 the cost of living has increased by 8 percent, not 7 percent. The amendment I have introduced would raise benefit levels 8 percent. While the difference may seem small on paper, and indeed costs very little in terms of the total program, it is a vital dollars-and-cents difference to our retired workers and their families.

The House Committee on Ways and Means recognized that the 1-percent increase is inadequate, stating in its report that a higher level "would be justified if one considered solely the need for this protection. The increase of approximately 7 percent provided by the bill is actually somewhat short of the rise in the cost of living that has taken place since 1954."

The impact of cost-of-living increases is felt perhaps more keenly by our older citizens than by any other group. They have no union to protect them; they are unable to raise prices like businessmen; and they are in most instances without investment income. It is our obligation and our responsibility to see that they do not suffer because of fluctuations in the economy beyond their control.

The benefit changes made in the House bill are much more than fully financed. They substantially improve the actuarial status of the present program, which Secretary Folsom advised the Committee on Ways and Means is in essentially sound condition for the foreseeable future. The cost of less than one-tenth of 1 percent of payroll that would result from the amendment I propose would still leave the bill considerably more than fully financed and would still leave the program in a stronger position than it is at present.

2. Increasing lump-sum death payments—to meet the increased "cost of dying" (cosponsored by Senator Smathers, of Florida)

My second amendment removes the outmoded arbitrary dollar ceiling of $255 which now limits what is known as the lump-sum death payment in the old-age and survivors insurance program. This payment was designed to help tide the widow, children, and other survivors over during the expensive days of the funeral and other final arrangements.

Congress intended that this lump-sum payment be three times the regular monthly benefit—and in the 1952 amendments Congress set the maximum monthly benefit at $85 and thus the lump-sum death payment at $255. Unfortunately, in 1954, when Congress increased the primary insurance benefit, the old dollar ceiling on death payments was retained. Again no change was made in the 1956 amendments. Now, in 1958, the bill as passed by the House again increases the regular monthly benefit for the retired worker but for almost one-half of all death cases does nothing about the heavy expenses his family must suddenly bear upon his death.

My amendment would remove the old dollar maximum so that all families, instead of some, would receive a lump-sum death payment of three times the primary benefit, as Congress intended. This would mean a maximum of $381 under the House bill, instead of $255. Payments could still be as low as $99.

This amendment—to restore the 3–1 ratio in all cases—was approved by the Senate Finance Committee and passed the Senate in 1954. I hope it will be approved again this year, when the need is even more pressing, and remain in the final bill.

The entire cost of removing the meaningless $255 ceiling, under the new overall benefit increase in the House bill, would be only two one-hundreths of 1 percent of payroll taxable under the social security program, so negligible as to be meaningless in a 50-year actuarial projection.

Can we neglect for this small cost to provide the increased equity and justice that the change would bring? Can it be seriously contended that the program cannot afford to provide this limited amount of additional help to some 300,000 widows, orphans, and parents each year—about two-thirds of them widows—in meeting the often crushing expenses that accompany the death of a husband, father, or son?

The meager lump-sum payments now provided will not take care of even a very modest funeral, to say nothing of helping to defray last illness expenses. A 1957 study in New York State gives an average cost of funerals of $875. Thus, a payment of $255 covers less than one-third of the funeral expenses in the average case.

It is not pleasant to contemplate the plight of a deceased worker's family who, in the face of their bereavement, must use their desperately needed monthly social security benefits to pay the costs of the last illness and burial.

More and more families are worried about meeting this burden in the near future—and I hope that this Congress will do something about "the high cost of dying."

3. Broadening aid to dependent children to include children of unemployed parents

My third amendment provides for eliminating one of the restrictive provisions in the Federal law making grants to the States for aid to dependent children (title IV of the Social Security Act).

At the present time the Federal law provides that Federal funds are available to the States only when the children are needy due to the death, disability, or desertion of a parent. When the father becomes unemployed, the family cannot receive aid to dependent children unless the father deserts. The Federal law thus puts a premium on desertion. I believe this is immoral and unsound.

My amendment would give each State the choice of broadening its law to permit "unemployment" to be considered as a basis for receipt of assistance for needy children. On the basis of past experience, since it would take some time before all States would take advantage of any such amendment, it is estimated that this amendment would cost about $50 million a year for the next year or two.

I urge support for this amendment which is designed to help preserve family life.

(Whereupon, at 12:25 p. m., the committee adjourned, to reconvene at 10 a. m., Wednesday, August 13, 1958.)

SOCIAL SECURITY

WEDNESDAY, AUGUST 13, 1958

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D. C.

The committee met, pursuant to recess, at 10:10 a. m., in room 312, Senate Office Building, Senator Robert S. Kerr, presiding.

Present: Senators Byrd (chairman), Kerr (presiding), Frear, Long, Anderson, Douglas, Martin, Williams, Flanders, Carlson, Bennett, and Jenner.

Also present: Elizabeth B. Springer, chief clerk.

Senator KERR. Mr. Schottland, will you come around?

STATEMENT OF CHARLES I. SCHOTTLAND, COMMISSIONER, ACCOMPANIED BY ROBERT J. MYERS, CHIEF ACTUARY, SOCIAL SECURITY ADMINISTRATION—Resumed

Senator KERR. I would like for the record to show that the Secretary advised that it would be impossible for him to be here today, and rather than to postpone getting ourselves in shape to take action on this bill another day, Mr. Schottland came to appear for him.

I had asked the Secretary to advise the committee what the attitude of the Department would be in the event the Finance Committee saw fit to attach H. R. 5551, is that it, Mr. Schottland?

Mr. SCHOTTLAND. That is correct.

Senator KERR. To this bill.

Senator BENNETT. What's that, Mr. Chairman?

Senator KERR. Did he give us any response on that?

Mr. SCHOTTLAND. I have a letter from the Secretary to you.

Senator DOUGLAS. May I ask what this H. R. 5551 is?

Senator KERR. Yes. Will you identify H. R. 5551 for the committee, and give us the benefit of Mr. Flemming's response?

Mr. SCHOTTLAND. I would be very glad to, Senator.

May I, with your permission, just first state that the Secretary stated that he would be very happy to appear before the committee at any further stage in its proceeding, should the committee think it desirable.

Senator KERR. Thank you, sir.

Mr. SCHOTTLAND. Perhaps, Senator, the best way to tell you what the bill does is just to read the letter.

Senator KERR. All right.

Senator DOUGLAS. May copies of this bill be distributed to the members?

Senator KERR. You know what it is when he identifies it.

Mr. SCHOTTLAND. (reading):

DEAR SENATOR KERR: This letter is in response to your personal request for my views on the amendment of H. R. 13549 to include the provisions of H. R. 5551 as reported by the Committee on Ways and Means, a bill to exclude from taxable income taxes imposed upon employees under the social security, railroad retirement, and civil service retirement systems.

The bill as reported——

Senator KERR. Just a minute. Does that identify the bill?

Senator DOUGLAS. Yes.

Senator BENNETT. Do it again. I am sorry, I was reading.

Mr. SCHOTTLAND. It is a bill to exclude from taxable income taxes imposed upon employees.

Senator BENNETT. All right. That straightens it out for me.

Mr. SCHOTTLAND (reading):

The bill as reported is limited to contributions made under the railroad retirement system in excess of 3 percent of employee's income and to an amount not exceeding $200 per year. By these limitations, the bill's estimated cost was reduced from an estimate of the magnitude of $1 billion per year to $3 million per year.

The extreme difference in these two figures suggests the potential cost of the precedent that enactment of such legislation would establish.

Apart from the question of general tax policy, on which we defer to the Treasury Department, the bill is clearly discriminatory in that it favors one relatively small group of employees as compared with other employees in similar situations.

Not only railroad employees, but self-employed persons covered by old-age, survivors, and disability insurance and Federal employees under the civil service retirement system now pay in more than 3 percent of their earnings.

Ultimately, all employees under old-age, survivors, and disability insurance will do so. Similarly, most persons under State and local retirement systems and private staff retirement systems do so.

Moreover, the bill when coupled with existing law would provide for the exemption of income from taxation at the point it is paid into a retirement fund and at the time benefits are ultimately received.

For these reasons enactment of the bill has been strongly opposed by the Department of Health, Education, and Welfare. In my judgment, the principles embodied in the bill are so objectionable that their inclusion in H. R. 13549 would be seriously prejudicial to the consideration of that legislation on its own merits.

Sincerely yours,

Signed by the Secretary.

Senator KERR. Thank you, Mr. Schottland.

Now the Secretary told us the other day that if the assistance section of this bill were included in it and the entire bill reported out and passed, that while he either favored or was willing to accept the section of the bill increasing benefits for old-age and survivors insurance, social security groups, he would have to recommend a veto because of the inclusion of the assistance provisions of the bill, and then I believe yesterday that Senator Knowland, after having been to the White House, gave out a statement on that.

Are you familiar with that statement?

Mr. SCHOTTLAND. I saw the press dispatch.

Senator KERR. You recall generally what was the tenor of it?

Mr. SCHOTTLAND. Are you asking what the tenor is?

Senator KERR. Yes.

Mr. SCHOTTLAND. As I read the statement, the tenor was that the Secretary in issuing the statement, in the understanding of Senator Knowland, spoke in agreement with the desires of the President.

Senator KERR. Feeling, therefore, that that environment might be extremely prejudicial to favorable action on the bill, I asked the Secretary to be prepared to give the committee the benefit of the effect of certain suggested changes in the bill, in the assistance provisions, in the hope that, on my part, that if some concessions were made, it might be possible to have a different attitude, and I am not going to ask you nor would I have asked him if these suggested changes would have changed the position of the President.

I would like, however, if you feel disposed to do so, to tell the committee whether, in your judgment, these changes or these suggested changes, if made, might be of such a nature as to justify the feeling that the bill, as modified, if so modified, would at least be considered by the administration with reference to their viewpoint.

Now, the first one was to reduce the maximum average monthly payment from $66 for adults and $33 for children, to $65 for adults and $30 for children.

Can you tell us what that change would approximately save or what the approximate amount would be that would be saved by that?

Mr. SCHOTTLAND. The suggestion, I take it, is that the $66 average now in the bill be reduced to $65?

Senator KERR. The maximum average, yes.

Mr. SCHOTTLAND. The maximum average, and the $33 for children reduced to $30?

Senator KERR. Yes, sir.

Mr. SCHOTTLAND. This would save approximately $39 million from the full annual cost of the bill of $288 million, on the public assistance features.

Senator KERR. If the maximum Federal matching percentage were reduced from 70 percent to 67 percent, approximately, what would that save?

Mr. SCHOTTLAND. From 70 percent to 67 percent would be $17 million.

Senator KERR. Per year?

Mr. SCHOTTLAND. Per year.

Senator KERR. Now the bill as before you would become effective October 1, 1958, is that correct?

Mr. SCHOTTLAND. That is correct, the public assistance features, Senator.

Senator KERR. Yes. If that were changed to become effective January 1, on the basis of reducing the $288 million by $56 million, being the total of the two suggestions made would reduce the cost of the bill in the first fiscal year by, what is necessary to take care of one quarter, which would be about $58½ million or would leave the bill to where it would cost in the first fiscal year approximately $116½ million, is that approximately correct?

Senator BENNETT. $170 million.

Mr. SCHOTTLAND. Let's see if I get your question, Senator. If you adopt the first suggestion of saving the $39 million by reducing the average, and your second suggestion of $17 million, which would make a total of $56 million, that would reduce the cost of the bill on a full annual basis to $229 million.

Senator KERR. $229 million or $232 million?

Mr. SCHOTTLAND. $232 million.

Senator KERR. Yes. And a half of that would be $116 million.

Mr. SCHOTTLAND. That is correct.

Senator KERR. And if you made it effective January 1, 1959, there would only be one-half of a year chargeable against the current fiscal year.

Mr. SCHOTTLAND. Yes, that would be $116 million cost for——

Senator KERR. Fiscal 1959.

Mr. SCHOTTLAND. Fiscal 1959.

Senator KERR. The Secretary, as I recall, made two basic objections to the assistance provisions in the bill, No. 1, that it would be inflationary, No. 2, that it would be a substantial departure or a radical departure from the objective which he said he had in mind which was to increase the participation of the States in the program lessening the requirements on the Federal Government.

I would like to ask you a question or two about the first objection and then one or two about the second objection.

How much would the social security benefit increase in the bill cost?

Mr. SCHOTTLAND. About $70 million, Senator.

Senator KERR. $700 million?

Mr. SCHOTTLAND. I think that is correct. The increase in benefits for the first year, about $700 million.

Senator KERR. How is that $700 million to be raised?

Mr. SCHOTTLAND. Well, this bill provides for an increase in the tax rate beginning in calendar 1959 of a half percent of payroll.

Senator KERR. Payable by?

Mr. SCHOTTLAND. Payable by the employers and employees.

Senator KERR. To whom would the $700 million go?

Mr. SCHOTTLAND. It would go to the 12 million beneficiaries now on the rolls.

Senator KERR. Present beneficiaries?

Mr. SCHOTTLAND. Plus those that would come on during the next——

Senator KERR. I know, but this $700 million would go to the present beneficiaries, plus those that came on during the first fiscal year.

Mr. SCHOTTLAND. That is correct.

Senator KERR. Which would not be very many percentagewise.

Mr. SCHOTTLAND. Well, during the next—during this fiscal year we would have an increase as of now of about somewhat over a million additional beneficiaries.

Senator KERR. Somewhat over a million and the present number is how many million?

Mr. SCHOTTLAND. 12 million.

Senator KERR. 12 million. But primarily the benefit would go to current beneficiaries?

Mr. SCHOTTLAND. That is correct.

Senator KERR. None of whom make any contribution to the fund.

Mr. SCHOTTLAND. That is correct. Well there might be some, those over 72, who are working, who may be contributing to the fund at the same time as drawing benefits.

Senator KERR. That wouldn't be much of an item.

Mr. SCHOTTLAND. It wouldn't be very substantial, no.

Senator KERR. Therefore, the proposal would work in this manner, that a limited number of taxpayers would pay an additional, how much would that one half of 1 percent produce?

Mr. MYERS. That will produce—along with the increase in the earnings base to $4,800, that will produce $1.1 billion in calendar year 1959.

Senator KERR. All right. It would be a billion, a hundred million dollars additional taxes on a limited percentage of the current taxpayers in order to provide $700 million additional benefits to 12 million people who, for all intents and purposes are a limited group of beneficiaries, and who would make no contribution, as a general matter, to the billion one hundred million dollars, which would be raised for the purpose, first, of paying that $700 million additional benefits, and, second, adding $400 million to the trust fund.

Mr. SCHOTTLAND. That is correct, in general terms.

Senator KERR. Now, if the assistance provisions through the basis that we have suggested here, it would cost $116 million in 1959.

Mr. SCHOTTLAND. That is correct, sir.

Senator KERR. And it would go to everybody in the Nation eligible under the specifications of the assistance programs, would it not?

Mr. SCHOTTLAND. It would go to the States, and the States would determine just how the funds would be used since the determination of eligibility is their determination.

Senator KERR. I know it is, but——

Mr. SCHOTTLAND. It would be available for such persons.

Senator KERR. It would be available to be expended without discrimination to every individual within the states and generally speaking, within the Nation, eligible under the eligibility requirements of the program.

Mr. SCHOTTLAND. That is correct.

Senator KERR. And it would be contributed by taxation on every taxpayer in the nation without discrimination except such as exist in the current tax structure.

Mr. SCHOTTLAND. That is correct, sir.

Senator KERR. What I would like to have you do, if you care to, is to tell the comimttee how 700 million received in the manner we have designated for a limited group would be less inflationary than $116½ million obtained in the manner we have designated to be made available without discrimination.

Mr. SCHOTTLAND. Senator, I should first like to make it very clear that when Secretary Flemming testified and mentioned that any increase in the Federal debt, in his opinion, had an inflationary tendency, that he made it quite clear that this was not the fundamental objection to the bill.

He mentioned this was one item, but the fundamental objection was the increase in the Federal share and although he did mention inflation as a factor, he did minimize the thing, as I recall his testimony.

So that I think that the position of the Secretary would be primarily based on the second reason which you gave, and not on this inflationary factor.

His position was that any increase in the Federal debt does have an inflationary factor in it.

Senator KERR. Well, then, let's go to the second factor: Suppose that an amendment were made to this bill which would provide that the Federal percentage figures as contained in the bill, would be reduced in accordance with the scale of 1½ percent each 2 years until

the matching formula reached, for all intents and purposes, a 50–50 basis.

Do you understand the question I am asking?

Mr. SCHOTTLAND. If I understand it, the second part of the matching formula which under the present bill runs from 50 to 70 percent Federal fund, your suggestion is that if that is passed——

Senator KERR. If it were amended to be from 50 to 67?

Mr. SCHOTTLAND. Yes, from 50 to 67. Then you would take this 67 and you would reduce this 1 percent?

Senator KERR. Each biennium.

Mr. SCHOTTLAND. Yes.

Senator KERR. That is, if this bill became effective January 1, 1959, it would provide in January 1, 1961, the formula—the matching formula would be from 50 to 65½, and on January 1, 1963, it will be from 50 to 64, and so on until the 50–50 objective would be obtained.

Mr. SCHOTTLAND. I can't quickly give you figures on this unless some of the boys here would figure it out, but I take it that that would mean that at 1½ percent every 2 years, it would get down to 50 percent in about——

Senator BENNETT. Nearly 12 years.

Mr. SCHOTTLAND. 12 years.

Senator KERR. I believe it will take longer than that.

Senator BENNETT. Are you taking a cumulative 1½ percent?

Senator KERR. It would come down 3 percent each 4 years; would it not?

Senator BENNETT. Yes.

Senator KERR. Now coming down 3 percent each 4 years, how long will it take to come down 17 percent? It will be about 20 years.

Mr. SCHOTTLAND. About 23 years.

Senator BENNETT. Yes.

Mr. SCHOTTLAND. Well, Senator, if you are asking for reactions, all I can say is that the administration will certainly give careful consideration to any enactment of the Congress.

I am not in a position to enlarge upon the statement of the Secretary with reference to the principle that the administration is opposed to any increase in the Federal share.

I do recognize that this does get toward the objective of 50–50 matching in the second part of the formula, and we will certainly give the matter consideration and study.

Senator KERR. Now, we have a commission now at work, advisory council, studying the social security——

Mr. SCHOTTLAND. That studies the financing and fiscal aspects of the social-security system.

Senator KERR. Tax structure and financing of the social-security system.

Mr. SCHOTTLAND. That is correct.

Senator KERR. When does that council make its report?

Mr. SCHOTTLAND. That report is due to be made prior to the opening of the next session of Congress, and probably will be available in December of this year.

Senator KERR. The next suggestion that I had hoped the Secretary would be able to discuss, would be an amendment to this bill that would provide for the creation of an Advisory Council to study the

financing and fiscal elements of the assistance program and to report prior to the opening session of the Congress in 1961.

Would you give the committee the identification of the Advisory Council for the Social Security Program?

Mr. SCHOTTLAND. We put that in the record last time.

Senator KERR. I know you did.

Mr. SCHOTTLAND. Would you like that again?

Senator KERR. Yes. I believe you are the Chairman of it.

Mr. SCHOTTLAND. By law, the Commissioner of Social Security is the Chairman, and the Committee consists of 12 persons appointed by the Secretary.

Senator KERR. Including the Chairman or other than the Chairman?

Mr. SCHOTTLAND. Other than the Chairman.

Senator KERR. Yes.

Mr. SCHOTTLAND. Appointed by the Secretary. There are 3 representatives of employes, 3 representatives of employees, and 6 of the general public.

The three employer representatives are Elliot Bell——

Senator KERR. I am not interested in their names, I just wanted—the law specified they should come from certain groups and identities; did it not?

Mr. SCHOTTLAND. The law says an equal number of representatives of employers and employees and then representatives from the self-employed and the general public.

Senator KERR. Yes.

Would you feel that if this bill further made provision for the appointment of such an advisory council in connection with the financing and fiscal elements of the assistance program, that that might be of such significance that it also could be considered by the administration as it looked at the overall features of the bill, if it were to come to them with that in it?

Mr. SCHOTTLAND. Again, Senator, I think all I can say at this point is that we will certainly give such a matter serious consideration.

Senator KERR. Thank you, very much, Mr. Schottland.

I deeply regret that the Secretary was not able to be here today, but in view of the fact that he couldn't be here personally, I am very grateful to you for coming and giving the committee the benefit of this testimony.

Are there other questions?

Senator CARLSON. I have some.

Senator MARTIN. Mr. Chairman, I don't care to ask any questions, but I talked to the Secretary this morning and he will be very glad, of course——

Senator KERR. He made that quite clear. The thought I had about it was that in view of the great rush or urge to get action on this bill, that I felt it was better for us to have Mr. Schottland come today than for us to postpone the matter until another day for the Secretary.

Senator MARTIN. I think your decision is entirely correct, but I wanted it to be fully understood that the Secretary will come, if we want him to come.

Senator KERR. He made that abundantly plain.

Senator MARTIN. Yes; that is fine.

Senator KERR. Senator Carlson.

Senator CARLSON. Mr. Chairman, it is with some hesitation I tried to get into this proposed new formula we are going to have on Federal-State matching. I have tried to analyze it and as I do analyze it, I think the way it is written, it would be to the distinct advantage of Kansas, so I am certainly not approaching it from the angle that our State would lose on it.

But there are some questions about this that I am concerned about for the future of the program.

As I understand it, the number of recipients in a State, regardless of what their pay is, providing they have a certain average, the Federal Government will contribute for the number of recipients; is that correct?

Mr. SCHOTTLAND. That is correct. The Federal Government makes its reimbursement to the State under this bill on the average expenditure.

Senator CARLSON. Well, would that mean then by simply adding persons to the roll, our State, could increase its grants up to 50 percent providing they had a $42 average?

Senator JENNER. I can answer that.

Mr. SCHOTTLAND. Well, if I understand your question, in effect, States can do that now.

Senator CARLSON. Let's just put it this way, now: Suppose a State, so long as the overall average is not reduced below $66, that State can increase its grant by $42 by adding a person to its cash benefit rolls or by providing him just medical care, regardless of the size of this cash benefit or the cost of medical care; is that right?

Mr. SCHOTTLAND. Yes, that would be correct. I would like, however, to point out that no State under the present law or proposed law could just take one individual or any number of individuals and put them on without regard to an overall State plan.

In other words, every individual in the State, in the same circumstances, would have to be eligible so that it would not be possible to pick out a few individuals and put them on without making every person in the same situation eligible.

In other words, to take your example of medical care, no State could say, "We will pick out 50 people that need medical care." They would have to have all people needing medical in the same circumstances eligible.

So that I don't think this changes fundamentally what the States can do now. The States now, for example, particularly those in the lost-cost States where we average the first $30, could put on a person for $10 or $15 and would be reimbursement in that $30 averaging.

But, I do think that our history has shown that States are very careful about putting on classes of people because they have to include substantial State moneys.

Senator CARLSON. Well, of course I understand, that too, but I know there is a temptation on the part of a State to get as much Federal money—and I can speak as a former governor of a State; I have had something to do with these programs, and I want to just give you an illustrative now.

I am going to use this as an example: If a State added an individual now at an average cost of $26, the Federal Government would in-

crease its grant by $42 for an added recipient, and the State would have a profit of $16 per added recipient.

Thus, if a State had a hundred thousand recipients and increased these by 50 percent to 150,000, the profit to the State would be 50,000 times $16 or $800,000 per month.

Now, is that situation possible?

Mr. SCHOTTLAND. You see the difficulty there, Senator, the average would have to stay much above $66 for a State to take advantage of it.

Senator CARLSON. Well, you have States that are much above them. We have them over $80 and $90.

Mr. SCHOTTLAND. This would be true only if a State were spending out of its own fund substantially above $66.

Although the administration is opposed to the public assistance provisions of the bill, the Secretary made it quite clear we were in favor of the principle of averaging, and the variable grant principle in the bill.

The reason we favor the principle of averaging and the reason I think all the States favor it, is that the present formula is inequitable with reference to State expenditures as a whole.

The present formula works something as follows:

Take two States side by side and each has, each of them has 2 cases, and 1 spends $30 on 1 case and $200 on the second case, because maybe it is a hospital case.

Now the $30 under the present formula gets $24 reimbursement, and the large grant gets only $39 because that is the maximum.

Well, $24 and $39 would be $63, so that that State, which has spent $230, gets only $63 reimbursement.

On the other hand, the next State has two cases that they are spending $60 on each case. In other words, they are spending $120; they get $39 reimbursement for each case or a total of $78, so the State that is spending only $120 gets $78 Federal funds.

The State spending $230 gets $63 Federal funds. So it would just seem that this method of trying to reimburse on the basis of the individual case up to a maximum has not been equitable among the States, and the average does make it possible to take the total State expenditures and reimburse against the total state expenditures.

It is true that in any averaging principle a State, if they had 50,000 cases, and added one case at $20, and their average is way above $66, would get more in Federal reimbursement than the total cost of that case.

But that is true at the present time, and it is true in any averaging principle, but I think you have to remember that the State is spending its own money and that is the reason it gets the averaging.

Senator CARLSON. Maybe I don't understand it, but if I understand it correctly, our State—and I believe I have analyzed our State correctly—will benefit under this formula but I wouldn't even want to get our State in a position where we could put some person on for medical care or some small item less than the $42 average and then make a profit on it.

I would be opposed to that even for Kansas. I think this is a program now we want to get out for people and not for States to make a profit on.

Senator JENNER. Senator, your increase is 108.2 percent under this new variable formula.

Senator CARLSON. I have gone into it and it is very complicated. The old formula is bad enough and this is a new one.

Senator KERR. Will the Senator yield?

Senator CARLSON. I am through.

Senator KERR. Will you yield?

Senator CARLSON. I will yield; I am through.

Senator KERR. I want to say I am in the throes of the same difficulty he has described, but I have arrived at the conclusion that this formula is more easily understood than the other, but in view of the fact that it is new, I can continue to understand the old one easier than I can become acquainted with the new, but, having done so, in my judgement it is less complicated.

Senator JENNER. Mr. Chairman, I have to go to Judiciary and Senator Bennett said he would pass to me.

I just have a question or two on this formula thing. I would like to put in the record a table, the increases in Federal welfare grants to States under this bill compared with the estimated cost to taxpayers of such increases, and I would like this to go into our public record.

The CHAIRMAN. Without objection.

Senator JENNER. It shows, for example, we will take the State of—well, let's take the State of Kansas the Senator has been talking about, if I can find it here. The increase—percentage amount of increase—is, of course—it is 108.2 percent to the State of Kansas, and you have some States run as high as 908 percent increase.

Mr. Chairman, I think this table should be studied by every member of this committee.

There is really nothing new about this new variable formula. It's been proposed before, and fought hard for, but it was rejected by the Roosevelt administration, by the Truman administration, and up to the present time this new variable formula has never gone into effect.

I would like to ask the witness this, for example: The feature is the rather deeply hidden charge in the formula for welfare grants to the States under which for the first time the idea of so-called variable grants will be injected.

In other words, the ratio of Federal grants to State welfare expenditures will be graduated or varying so as to give higher ratios to States where the per-capita income is below the national average, and a lower ratio to the States where the per-capita income is above the national average, is that true, sir?

Mr. SCHOTTLAND. It is correct, Senator, that is—the latter part of your statement, that those below the national average would get a higher percentage.

Senator JENNER. Certainly.

Mr. SCHOTTLAND. Yes.

Senator JENNER. It is my information, this is just a starter obviously. But it is thought that it is a very dangerous one. The idea of a variable grant has been pushed very strongly, and it's been resisted successfully, under the Roosevelt administration, the Truman administration, and so forth.

During the House committee and floor action nothing was said about variable grants in the publicity put out on the bill. I would guess that many House Members were unaware of that feature.

Now, here is what it does, in fact, as I understand it, gentlemen of the committee: From this table that I am going to put in the record, you will note at one extreme, New Jersey would get back 16.3 percent of its costs, and that at the other extremes, you have States that would get back as high as 735 percent and 908 percent of costs to the taxpayers within the respective States.

For my State, for example, our score would be 52.9 percent or roughly we get $1 back for each $2 spent.

Now the variable grant features of the social-security bill are not entirely responsible for the wide spread between the 16 percent for New Jersey and a 900 percent for certain other States; I am not making a point, I am not picking on any States, I just think we have got a bear by the tail here.

A few of these States have been running their welfare programs and then been very liberal with them, in other words, put anybody and everybody on them.

The welfare program in other States, they have tried to be conservative. For example, the State of Virginia, and the State of New Jersey and my State have been rather conservative, and that is what the fight came about a few years ago when we found out that there were people getting old-age assistance and welfare in our State that had $100,000 in the banks, and we found out that the wealthy people were drawing old-age assistance, and we found out that big strong able-bodied men would come in and make an affidavit that they were paupers in order for their father and mother to qualify under this thing.

It become a racket in our State, and that is when we had the falling out with the Federal Government. And we passed a law saying we are going to make these rolls open to the public so that the neighbors can take a look and see if somebody is getting welfare assistance who is not entitled to it, that can be taken care of by their families, and so forth. And this department took away our own money and said, "If you do that with $20 million, we are going on withholding every year from your program." And we put an amendment through Congress, and I introduced it, and it was adopted and it's been adopted since by other States saying—the Federal Government can't withhold because we were trying to act conservatively. What is the sense of giving money to people who are wealthy? And under this new variable formula, gentlemen, I am going to tell you what little I have gone into it; and we are all rushed for time. According to this table you are going to take a State that is trying to do a decent job for its own people, and you keep the grafters and the cheats off the rolls, and you are going to give them premiums to the grafters and cheats and the States to just put anybody and everybody on. And you are going to penalize states like Virginia and New Jersey and Indiana and many others who have tried to run their program square and fair and honestly, and I just don't understand why, after the Roosevelt administration opposed this thing successfully, and the Truman administration and now we come along under the Eisenhower administration and advocate such a proposition as this.

There is nothing new about this formula; they have been trying to get it for years.

Now all these things would be wonderful, but I just come back again to the question, Mr. Chairman, where are we going to get the money to do all these things for all these people all over our country and all over the rest of the world without bankrupting ourselves or going into inflation and destroying this country? And when we go down the drain there goes the last best hope of freedom and liberty and security and peace and everything else. And if we go and do these kind of things, we are going—it doesn't matter what you give people for old-age assistance, you can raise them up to $500 a month, if we keep doing this—you are going to bring about a chaotic situation under inflation that the $500 a month wouldn't help them any more than they are being helped today; you couldn't feed a dog on it and that is true in a lot of cases, even under this program.

And I want this to go into the record. I hope it is true, it is not my study, it's been thoroughly worked out.

I understand these figures are available. I think the Department originally furnished them, but there has been no publicity on this put out all over the country.

People don't know what it means and what it is going to do.

That is about all I have to say. I have to go to another committee.

(The table referred to by Mr. Jenner is as follows:)

Increases in Federal welfare grants to States under H. R. 13549—Compared with estimated costs to taxpayers of such increases

State (in order of per capita income, 1954–56)	Total annual increase[1] (thousands)	Cost of increase to taxpayers (thousands)	Percentage amount of increase is of cost	State (in order of per capita income, 1954–56)	Total annual increase[1] (thousands)	Cost of increase to taxpayers (thousands)	Percentage amount of increase is of cost
Delaware	$311	$1,756	17.7	Arizona	$3,179	$1,439	220.9
Connecticut	1,525	6,476	23.5	Iowa	7,275	3,195	227.7
Nevada	231	576	38.4	Texas	14,117	12,175	116.0
New Jersey	1,965	12,068	16.3	Nebraska	2,563	1,727	149.6
District of Columbia	1,168	2,072	56.4	Maine	2,507	1,180	212.5
California	9,416	30,250	31.1	Virginia	3,229	4,835	66.8
New York	13,273	40,093	33.1	Utah	1,538	980	172.4
Illinois	8,186	20,464	40.0	Vermont	1,193	518	230.3
Michigan	8,459	14,420	58.6	Idaho	1,842	991	266.6
Massachusetts	4,375	10,534	41.5	Oklahoma	23,803	2,619	908.9
Ohio	7,973	17,787	44.8	New Mexico	4,684	921	508.6
Maryland	2,355	5,468	43.1	Louisiana	24,771	3,367	735.7
Washington	3,603	4,404	82.9	Georgia	21,689	3,742	579.6
Rhode Island	1,473	1,669	88.3	South Dakota	2,900	576	503.5
Pennsylvania	9,228	20,550	44.9	North Dakota	1,936	547	353.9
Indiana	3,592	6,793	52.9	West Virginia	10,321	2,101	491.2
Oregon	1,725	2,619	65.9	Tennessee	10,333	3,252	317.7
Wyoming	249	460	54.1	Kentucky	7,401	3,108	238.1
Montana	1,335	863	154.7	North Carolina	7,127	3,914	182.1
Missouri	5,582	6,879	81.1	Alabama	6,690	2,677	249.9
Colorado	3,571	2,562	139.4	South Carolina	2,967	1,756	169.0
Wisconsin	5,578	5,900	94.5	Arkansas	9,682	1,266	764.8
New Hampshire	649	921	70.5	Mississippi	974	1,180	74.1
Minnesota	6,303	4,663	135.2	Alaska	226	288	78.5
Kansas	2,928	2,705	108.2	Hawaii	588	835	70.4
Florida	9,136	5,967	152.6	United States total	267,818	267,818	.....

[1] From report of Committee on Ways and Means, House of Representatives.

Mr. SCHOTTLAND. Mr. Chairman, I would just like to point out that, two things:

First, that the variable principle is not new, that it is used in many other Federal programs, and has been consistently supported by the Department in connection with other programs such as the Hill-

Burton Act for hospital construction and vocational rehabilitation funds.

These are all distributed on a variable grant basis.

Also, the present formula in and of itself, is a variable grant. The present formula results in a variable grant with some States getting over 70 percent Federal reimbursement and others getting as little as 35, with the States that have low grants, getting a large proportion of their total payments because they get 80 percent of the first $30, so that in effect, we now have a variable grant, but it is not a variable grant that is equitable, and our whole push in the Department in all these grant programs, Hill-Burton, and vocational rehabilitation, and children's programs, has been to have a variable grant which makes some sense and which does some equity as among the States.

Senator KERR. Isn't it a fact that the last raise that was put into effect in 1956 moved it from what, as I recall, 75 percent—what was that last one?

Mr. SCHOTTLAND. It was four-fifths of $25 and went to four-fifths of $30.

Senator KERR. Yes. Well, isn't it a fact that some States took that additional amount and actually passed on less than the full amount to the beneficiaries?

Mr. SCHOTTLAND. Yes; some States did that.

Senator KERR. So that if you want to find examples which would be hard to justify, actually, there is more in the present formula than in the formula you have recommended.

Mr. SCHOTTLAND. That is what we think, Senator.

Senator KERR. That is one basis of the recommendation.

Mr. SCHOTTLAND. That is correct.

Senator ANDERSON. I only wanted to ask one question: What is the origin of section 510, that repeals the assistance provisions in the Navaho Rehabilitation Act?

Mr. SCHOTTLAND. The history of that, Senator, is this: There has been in the law something which we have opposed from time to time, whenever the matter has come up. There has been a provision that where the States grant public assistance to the Navaho and Hopi Indians, that in addition to the formula now in the law, that the Federal Government will pay 80 percent of the State's share.

In other words, if the State grants $30, they now get 80 percent Federal reimbursement.

Senator KERR. If it goes to a member of one of those tribes?

Mr. SCHOTTLAND. No; anybody, if the State grants $30 we now give $24. The State would pay $6.

Now, under the present, this present provision of the law, instead of a State paying $6, the Federal Government will pay 80 percent of that $6.

Senator KERR. Under present law?

Mr. SCHOTTLAND. Under present law. So that——

Senator KERR. If it goes to a member of one of those tribes?

Mr. SCHOTTLAND. That is right, if it goes to a member of one of those tribes, and it seemed to us, if the bill as written, with this variable grant which makes a concession to the low-income States which are the States generally that have these tribes and there is such large reimbursement that to have an additional 80 percent of whatever their share is—it is small anyway—seemed to us inequitable. This variable

grant in the bill to some extent does reflect a higher payment to the States that are taking care of the Indians.

Senator ANDERSON. Well, it is not of real significance in my own State, although we have 20,000 Navahos, it is a problem in Arizona, where they have 60,000 Navahos. The State receives no revenue from these Indians, they do not pay State taxes. Yet the State has to put up money for their maintenance, and the inevitable reaction is when a caseworker works on one of those, the tendency would have to be, naturally, to refuse assistance to this Indian because the State gets no revenue from the reservation.

It occupies, as you know, an area larger than a great many of our States right inside the State of Arizona.

The chairman of the Appropriations Committee, Senator Hayden, brought this——

The CHAIRMAN. I gave the letter to him, Senator.

Senator ANDERSON. Brought this to our attention and I thought it might be well to have comment on it for the record.

I gave the memorandum this morning to the Chair. I will grant the State of Arizona is better off for the variable payments with this exclusion than it would be without the variable payment, but this was a matter that would seem to be a question of justice and the Congress has so taken the position.

I believe that Senator O'Mahoney's name was the first name on the Navaho rehabilitation bill, but I know from whose office it came. I am chairman of that committee, the Navajo Hopi Rehabilitation Committee, and I worked on the problem pretty consistently. I just wondered if there was a great deal of thought devoted to this or whether somebody said, "Well, this is a special favor to Arizona, we have to take that out."

Mr. SCHOTTLAND. I think, Senator, the figures will demonstrate why we suggested it be taken out.

Senator ANDERSON. That is what I wanted to have.

Mr. SCHOTTLAND. Most of your Navaho and Hopi Indians are in Arizona and New Mexico.

Senator ANDERSON. Well, there are few in Utah, as the Senator from Utah knows.

Senator BENNETT. That is right.

Senator ANDERSON. But 60,000 of the 80,000 are in Arizona.

Mr. SCHOTTLAND. Yes. These are the figures involved. Arizona now gets an average reimbursement from the Federal Government of $35.51 per case per month.

Under this House bill, Arizona average would be increased to $45.60 per case per month.

Senator WILLIAMS. At that point, I didn't quite get those figures.

Mr. SCHOTTLAND. $35.51 at the present time to be increased to $45.60, so that in effect, this variable reflects the need, due to the Indians because generally they are a fairly low-income group.

Senator WILLIAMS. What would the State contribution be in each instance with those payments?

Mr. SCHOTTLAND. The State contribution in Arizona, under those payments would be—just a second, Senator, we will look it up in the table—we will get that in a moment for you.

Senator ANDERSON. May I explain, Mr. Chairman, my primary interest is not in the treasury of the State of Arizona. It is in these Indians who are going to have eventually a substantial amount of money.

They eventually are going to be a rich tribe, but it isn't there yet. They will have in time, I hope, a hundred million dollars in their trust fund from oil which is just now starting to develop.

They are going to have eventually a lot of money from uranium and a lot of money from helium, but it is in the future. The situation that arises in the individual family is not too good if the State of Arizona receives no income from them, but is compelled to contribute a portion to these cases.

The tendency is to say, "Well, the Navaho has got plenty of money coming someday, we just won't take care of this case." I am not trying to be critical of the people of Arizona. They have a real problem of their own with 60,000 people living in one corner of the State who pay no taxes to the State.

And the House of Representatives, I am happy to say, just yesterday followed the lead of the Senate and passed a special bill for the construction of Highways 1 and 3, which cross the Navaho Reservation.

They have never been able to build a road because the highway commissioners of Arizona would not build it, that is all. They are elected in the other areas and they never would vote a dollar for that reservation.

Again, I am not critical of them. I have discussed it with the Arizona highway people and we put through a special bill which I hope the President will now sign that gives them some relief there.

I am only using that as an illustration that this is a very difficult problem for the Indians. It is no problem at all ordinarily to the people of Arizona, but a very difficult problem to the Indians. I have been on the reservation a good deal, and I think I know pretty nearly every tribal council member.

I certainly know all the top members of it very well personally. I have been in some of their homes, and even in some of the hogans, and I wondered how much thought had been given to it.

Did you ask for any testimony on this before you made the recommendation?

Mr. SCHOTTLAND. No, Senator, there was none, but our feeling was that both the States gained so much under this formula——

Senator ANDERSON. It is not a problem in New Mexico. We have taken care of the Navaho Indians in New Mexico.

Mr. SCHOTTLAND. Well, in Arizona, it was our feeling that with the tremendous increase in Federal funds that would be available, that there didn't seem to be continued justification for special treatment of this particular group.

Senator ANDERSON. Recognizing that that will mean the elimination of Indians from the relief rolls?

Mr. SCHOTTLAND. Well, we didn't think so at the time, because the State——

Senator ANDERSON. Were you around when we had the last battle over there?

Mr. SCHOTTLAND. I was not here, but I remember it.

Senator ANDERSON. Not here, I didn't say in this room, but you remember it? All right. I just wanted to find out whether there had been any special consideration given to it.

As I say, I am not here pleading in any way for the State of New Mexico, or Arizona, but I am somewhat interested in these Indians and the Navaho-Hopi rehabilitation committee, the so-called watchdog committee, which is their only avenue of dealing with the Congress. I happen to be chairman of it and that is why I am interested in it.

Mr. SCHOTTLAND. Senator Williams, the State would put up $21 in the case of Arizona. Both under the present formula, to get $35.51 reimbursed, and $21 under the proposed bill to get $45.60 reimbursed.

Senator ANDERSON. I thought we now took care of 80 percent of it.

Mr. SCHOTTLAND. This is the general situation for Arizona in response to Senator Williams' question.

Senator WILLIAMS. No, I was asking in response to the same question he was asking.

Senator ANDERSON. Yes. Wouldn't this greatly change the situation with reference to Indians in Arizona?

Mr. SCHOTTLAND. Yes; it would, because in this situation at the present time, the State would get 80 percent of the $21 reimbursed, so that the State actually would be putting up roughly about $4.

Senator ANDERSON. $4.20?

Mr. SCHOTTLAND. Yes, they would put up $4 for an expenditure of $56.51, if my figures are correct. They are now putting up $4. Under this bill, they would be putting up $10 or $11.

Senator ANDERSON. $21 wouldn't they? Wouldn't they be putting up $21 against $45.60? Sure they would.

Mr. SCHOTTLAND. Yes, that is correct.

Senator ANDERSON. What you do in effect by this is say that as far as the Indian cases are concerned, where the State of Arizona now puts up $4.20, against $35.51, it would now have to put up $21 against $45.60.

You increase the benefit $10 and increase the Arizona payment $15. You and I know what is going to happen in Arizona, don't we?

Mr. SCHOTTLAND. Of course——

Senator ANDERSON. Well, don't we? I am interested in the Indians and I think this is a bad thing. I think you are putting this provision in the bill without any warning to the Navahos whatever of what you are doing to them.

Hopis are a small group and they are important, but they are not as numerous as the Navahos. So far as I know, Mr. Chairman, no warning whatever was given either the Navaho Tribal Council or the Hopi Tribal Council that this provision was here.

It was going to be put through almost under cover of darkness. I don't think it is quite fair to the Indians who do not have any particular spokesman assisting them in their unusual problem.

Senator WILLIAMS. It just further emphasizes the problem of trying to rush a bill like this through in 3 days.

Senator ANDERSON. I am frank to say that I suppose I should have read the bill carefully and recognized the danger when it said repeal section 9 of the law of 1950. I should have remembered that my name was on that law and, therefore, ask "What are they doing with it?"

But I didn't, and it wasn't until I just happened to find out that this was involving the Indians that this question came up.

I really do believe that you should have notified the Navaho Tribal Council that you are proposing to do this to them because this is bad. The day will come when the Navahos I hope will be off relief. The Laguna Indians, where they have a similar situation, have been able to go off relief rolls. There are only 450 able-bodied men in the whole Laguna group. Every one of them is in the employ of Anaconda Copper in that company's uranium development.

They are in fine shape; they are improving their homes; they are buying life insurance, and automobiles. They are accumulating what promises to be at least an $18 million trust fund out of their royalties in uranium.

They are going to be all right.

The Navahos are going to be in time, but it is going to come at a later time. I believe for the next 2 or 3 years it will be unfortunate if this happens.

Senator WILLIAMS. For one not familiar with it, let me ask you, you said, they would not be taxable.

Would not their income on this $100 million be taxable?

Senator ANDERSON. Not if it is received as a tribal fund, and that is the way they received it.

The first $30 million they got from the oil royalties, it was for the tribe.

Senator WILLIAMS. I thought we made American citizens out of them and eliminated all distinctions.

Senator ANDERSON. They received it as a tribe.

Senator KERR. It is not taxable if it comes from restricted property.

Senator ANDERSON. I will just say to you, we had a nice battle in the Interior Committee a few days ago with which the members of this committee are familiar. It happened because the Indians wanted to get something given to them as a tribe, and I insisted we give it to them so it went on the tax rolls.

You are caught constantly ni these squabbles. All that you do is try to do the best you know how. This is an instance when I am on the Indians' side. I feel that this would not cripple Arizona too much, but I think it will cripple the Indians substantially, and I don't believe you are going to gain enough out of it.

How many Indians are you giving assistance to now in Arizona?

Mr. SCHOTTLAND. It is just a little handful.

Senator ANDERSON. I know it. Why stir them up for a little handful?

Mr. SCHOTTLAND. Well, our feeli[illegible] was with a State getting so much more money, that the State ought to be able to take care of this handful without a special Federal law to take good care of the total bill, just for this group.

Senator ANDERSON. I don't wish to take up the time, Mr. Chairman, but that is the very theory upon which they said, "Don't pass my highway bill. The State of Arizona ought to build that road."

It is true. I wasted a lot of time trying to persuade the State of Arizona to build Highways 1 and 3. They didn't do it.

Their highway commissioners are elected in Phoenix, Tucson, and Nogales; and, by a strange quirk, they paid some attention to where the votes came from.

Nobody around this table would do that, but the highway commission did, and perfectly naturally, the road did not get built.

You have the same problem in connection with this. I want to say to you since it is only a handful, and since these Navahos are working more and more, with fewer and fewer going on the relief rolls, I hate to have them all stirred up over what may not save the Federal Government any real money, but makes it necessary for those of us who have been trying to carry this burden to go out and try to explain to a tribal council meeting on September 13 and 14, why you did it. I had planned to go out there.

If this passes, I am going to let somebody else go out there. [Laughter.]

Mr. SCHOTTLAND. Our only feeling, Senator, was that this kind of legislation does keep the door open for other special groups.

The CHAIRMAN. How many are involved in the Indians?

Mr. SCHOTTLAND. I don't have the figures offhand, but it is very, very few.

Senator ANDERSON. Could I ask that the figures be supplied?

Senator KERR. Would there be a way for you to supply the figures?

Mr. SCHOTTLAND. Yes, it is a few.

Senator ANDERSON. It is a relatively small number. The Navahos themselves have been careful about this. They have used their money constructively. The first $30 million coming out of the oil royalties, they took $5 million and set it up for scholarships for their young Navaho girls and boys to go to college and not be dependent on the Government.

They are trying to do a big job and some of us are trying to encourage them to handle it in that way instead of being wards of the Government. I don't say the position taken by the Department is wrong. I simply say it poses a whole brand new problem for us when in reality very few dollars will be saved. While it might, as you say, open the door to other groups, there are not too many groups in just this sort of a situation.

The Navaho Nation is larger than any number of States you could mention. It is a tremendous area. But only now, because of the development of oil and gas, which years ago nobody thought existed, and development of uranium, which nobody cared about only a few years ago, they now are about to get on their feet.

(The figures on the Navahos supplied by Mr. Schottland are as follows:)

Selected information about operation of sec. 9, Public Law 474, in Arizona and New Mexico, fiscal year 1958

	Total	Old-age assistance	Aid to dependent children	Aid to the blind
	Arizona			
Recipients under special provision:				
Average monthly number	4,465	981	3,412	122
Percent of all recipients	11.9	4.2	15.5	14.4
Total payments to recipients under special provision	$1,475,404	$540,124	$866,936	$68,344
Total Federal share	1,413,602	506,822	842,224	64,556
Normal amount	1,075,824	370,294	638,584	47,006
Additional amount under special provision	337,778	136,528	153,640	17,550
State share	61,802	33,302	24,712	3,788
Average monthly payment, total		$48.75	$19.96	$48.01
Federal share		45.08	19.06	45.01
State share		3.07	.90	3.00
	New Mexico			
Recipients under special provisions:				
Average monthly number	2,494	512	1,936	46
Percent of all recipients	6.5	6.0	6.7	11.8
Total payments to recipients under special provision	$955,912	$310,065	$532,002	$23,845
Total Federal share	814,726	262,280	500,561	21,915
Normal amount	623,037	221,129	385,277	16,631
Additional amount under special provision	191,689	71,151	115,284	5,284
State share	81,186	17,815	32,041	1,930
Average monthly payment, total		$42.24	$24.61	$41.18
Federal share		38.81	23.25	38.96
State share		2.43	1.86	2.22

Source: U. S. Department of Health, Education, and Welfare, Social Security Administration, Bureau of Public Assistance, Division of Program Statistics and Analysis, Aug. 14, 1958.

Senator DOUGLAS. They have got to look out for their lands or those will be taken from them.

Senator ANDERSON. Well, it just so happens that nobody has been able to get a foot of their land recently, except for the construction of the Grand Canyon Dam and in that instance, a trade highly satisfactory to the Navahos was made. I don't think it was too unsatisfactory to the Federal Government, as I think the Senator from Utah will admit.

Senator BENNETT. But creating some serious problems for a few of the white people who were told by the Federal Government in a definite statement 20 years ago, no more Utah land would be taken for the Navaho reservation, but now we take it.

Don't worry about the Navahos, they have many powerful friends at court.

Senator ANDERSON. I hope I was one of them.

Senator BENNETT. Yes, I think I am, too. But strike the word, "powerful" with respect to me.

Senator ANDERSON. I have stated what I hoped to state, Mr. Chairman. I appreciate your giving me a chance to express myself. I hope we may get from the group of proper government officials the amount of money that might be saved by putting through this provision and let the committee consider it.

I only say, Mr. Chairman, if the Government wants to recommend a gradual scaling down of this 80 percent, it might be possible to so do it. That would help you with your other problem of special groups.

The CHAIRMAN. Please furnish that as promptly as possible.

Mr. SCHOTTLAND. We will do that.

The CHAIRMAN. And we would like to get information relative to the letter from Senator Hayden.

(The letter, enclosures, and the information requested follows:)

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
August 13, 1958.

Memorandum.
To: Hon. Harry F. Byrd, Chairman, Senate Finance Committee.
From: Clinton P. Anderson.

Mr. Chairman, I would like to invite your attention to a letter and telegram handed to me by the distinguished senior Senator from Arizona. These communications relate the concern felt by the State of Arizona over inclusion of section 510 in the social-security bill, H. R. 13549, which is now under consideration by the Finance Committee.

Section 510 of the bill repeals section 9 of the Navaho-Hopi Rehabilitation Act. This provision of the act recognizes the unique Federal responsibility involved in caring for those Indians who are distressed. It requires a special matching formula of Federal aid to the States for amounts paid by the States for old-age assistance, aid to dependent children, and aid to the needy blind for Navaho and Hopi Indians residing on reservations or on allotted and trust lands. Congress recognized by the enactment of this act that the burden of looking after these Indians continues to be a Federal burden and not one which should be placed upon a single or a few States. I can find no explanation why this section which attempts to repeal this Federal responsibility was inserted in the present legislation. The House report gives no enlightenment on this whatsoever. I feel that this attempt is beyond the scope of the present legislation, and I hope that the committee will act to delete it from the bill.

I am attaching copies of the letter and telegram received by Senator Hayden from the Department of Public Welfare of the State of Arizona.

STATE OF ARIZONA,
DEPARTMENT OF PUBLIC WELFARE,
STATE OFFICE BUILDING,
Phoenix, August 6, 1958.

Hon. CARL HAYDEN,
United States Senator,
Washington, D. C.

DEAR SENATOR HAYDEN: This letter is to provide you with additional information in regard to the social-security amendments and is a followup of our telegram of yesterday.

The Arizona State Department of Welfare has historically taken the position that the Navahos and Hopis have treaties through the Federal Government with all of the 48 States. This indicates a sharing of responsibilities and duties with all of the States. With this as a premise, it is our thinking that a special formula for matching of assistance grants is only just.

The Navahos and Hopis represent 10 percent of our federally matched caseload. This, as you can see, is a heavy percentage, particularly in relation to their population.

The best interest of the State of Arizona would be served by:

1. Continuation of the present Navaho-Hopi formula; and if at all possible, its extension to aid to the permanently and totally disabled and any other federally matched assistance program that may conceivably develop in the future.

2. Adoption of a variable grant formula in addition to the above for the rest of the caseload. Arizona still falls in the category of a "have-not" State.

Thank you so very much for your vigilant efforts in our behalf. Reader's Digest may refer to you as the "Silent Senator," but we prefer to refer to you as the "Get it Done" Senator.

With very best wishes to you and a hope that you adjourn in the near future so that we can have the pleasure of your company in Arizona once again.

Sincerely yours,

FEN HILDRETH, *Commissioner.*

PA:WLP:MS

PHOENIX, ARIZ., *August 8, 1958.*

Hon. CARL HAYDEN,
United States Senator,
Washington, D. C.:

Using the proposed variable formula on the federally matched Navaho and Hopi caseload in place of the present special formula will increase the annual State cost for Navaho and Hopi Reservation cases by the following amounts: Old-age assistance, $101,636.64; aid to dependent children, $127,390.92; aid to the blind, $13,553.76. However, there is indication that the application of the variable formula to the entire caseload including the Navaho and Hopi Reservation cases would decrease the annual State cost. It would be to Arizona's advantage in terms of saving State money to have the proposed variable formula. It would be even to greater advantage to have the new variable formula plus—I repeat, plus—the present special Navaho-Hopi formula. In addition, on philosophical grounds we would dislike to see the abrogation of Federal responsibility for the special needs on the Navaho and Hopi Reservation. Your efforts are appreciated.

FEN HILDRETH,
Commissioner, Arizona State Department of Public Welfare.

(The information submitted by Mr. Schottland follows:)

Mr. Hildreth has described correctly the position which the State of Arizona has historically taken with reference to the responsibility of the Federal Government for the Navaho-Hopi Indians. There is a difference of opinion between some of the States such as Arizona and New Mexico and the Federal Government concerning the role of the Federal Government in meeting the needs for public assistance of Indians residing on reservations.

The Department of Health, Education, and Welfare has always had serious reservations about the desirability of special provisions singling out one needy group such as the Navaho and Hopi Indians residing on reservations for special treatment. In most States, responsibility for all eligible persons is accepted. Arizona and New Mexico, however, have accepted only limited financial responsibility for caring for the needy Navaho and Hopi Indians and section 9 of the Navaho-Hopi Rehabilitation Act reflects their position in this matter.

Senator DOUGLAS. Mr. Chairman.

The CHAIRMAN. Senator Douglas.

Senator DOUGLAS. Mr. Schottland, the last increase of public assistance was in 1956?

Mr. SCHOTTLAND. That is correct, Senator.

Senator DOUGLAS. How much has the increase, or the cost of living been since that date?

Mr. SCHOTTLAND. About 5 percent.

Senator DOUGLAS. During that time, the basis of Federal reimbursement has not been increased; is that correct?

Mr. SCHOTTLAND. That is correct.

Senator DOUGLAS. Have not the recipients of old-age assistance, therefore, suffered a reduction in their already meager incomes?

Mr. SCHOTTLAND. The average payments in old-age assistance have been increasing in the States.

Of course, this does increase the Federal share when it does. In the last 2 years, the average has increased—let's see if I can give it to you—the last year it's increased a little over 3.1 percent.

Senator DOUGLAS. Isn't it sort of a delayed reastion which comes because of the increased Federal share?

That is when we grant reimbursement to the States for the first year or so, doesn't it tend to be aid to the States rather than aid to the aged?

Mr. SCHOTTLAND. The general history of Federal increases is that some States pass it on immediately. Some States delay passing it on, so it is gradual.

Senator DOUGLAS. And some probably never fully pass it on.

Mr. SCHOTTLAND. That is correct, particularly those States that already have very liberal standards, but, generally speaking, the thing is passed on, and just to indicate this, the price level since 1954 has increased about 8 percent, but during the same period, the average old-age assistance payment has increased over 19 percent.

Senator DOUGLAS. Yes, but I mean prior to 1954, did you have the actual payment to the aged increasing?

If you go back to 1950, from 1950 to 1954, did average payments increase as rapidly as the cost of living? The cost of living during that period probably rose by about 13 percent, 13 or 14 percent.

Mr. SCHOTTLAND. Well, in presenting this, I would like it clearly understood we are not stating that we think the average is high.

Senator DOUGLAS. No; but we are trying to establish the fact. Isn't it true there was a delayed movement from 1950 to 1954?

Mr. SCHOTTLAND. Generally speaking, on the basis of the purchasing power, the average in old-age assistance has increased faster over all——

Senator DOUGLAS. Was that true from 1950 to 1954?

Mr. SCHOTTLAND. Yes, the average grant in 1950 was $43.85.

The purchasing power, on the basis of the 1945 dollar being considered as 100, was $33.30.

In 1954, the dollar amount was $51.45. The comparable purchasing power was $34.55.

Senator DOUGLAS. $34——

Mr. SCHOTTLAND. $34.55.

Senator DOUGLAS. What had it been?

Mr. SCHOTTLAND. In 1950, it was $33.30, so it had gone up.

Senator DOUGLAS. About 2 percent?

Mr. SCHOTTLAND. About 3 percent.

Senator DOUGLAS. Two percent.

So you think the increases have been adequate?

Mr. SCHOTTLAND. No, Senator, I would not say that. I just am merely responding to your question in reference to averages in dollar amounts as against purchasing power.

I think the Secretary stated it has always been our position that many States have much too low grants in this and other programs.

Senator DOUGLAS. But may I raise this question: Haven't medical costs increased about twice the rate as the increase in the cost of living?

Mr. SCHOTTLAND. I am not sure exactly what the percentage is, but it has been much more substantial.

Senator DOUGLAS. Hasn't it eaten away a considerable portion of the apparent increase in real income?

Mr. SCHOTTLAND. I think in some States, if their dollar amounts ran about the same, and their medical care costs increased, obviously this would result in some decrease.

I am under the impression this has not been generally the case, however.

Senator DOUGLAS. Isn't it true that in all this discussion we start from an extremely low level? The original old-age assistance grant or, as I would like to call them, old-age pensions, started in the thirties, when we were in the midst of a depression and the localities and the States lacked financial resources and had acute financial problems and, therefore, they had to keep the assistance and pension payments down. As the country has become more prosperous, merely to hold our own to the standard of the thirties, is not very much of an achievement, is it?

We should make very large gains over the thirties, should we not?

Mr. SCHOTTLAND. Speaking personally, Senator, I agree with you. I think that in many States the grants have been unconscionably small.

Senator DOUGLAS. And, really, the grants in many cases have been less than necessary to maintain a biological standard of life; isn't that true?

Mr. SCHOTTLAND. I think the States making the low grants have all agreed, or most of them, certainly, agree.

Senator DOUGLAS. So there really has been a failure to meet the human budgets of these people, there has been a depletion of energy and strength in these people.

Mr. SCHOTTLAND. In many cases.

Senator DOUGLAS. These are considerations which frequently do not get expressed in hearings.

People are thinking of the monetary cost to the Federal Government, but the impalpable but real cost of the vitality of our old people is also real and they tend to be ignored, isn't that true?

Mr. SCHOTTLAND. I didn't get that last.

Senator DOUGLAS. Is it not easy to forget the fact that the standards of aid given to the aged were originally grossly inadequate, are still grossly inadequate in a large percentage of the cases, and are such that the physical vitality of the aged is depleted because of the lack of adequate care? Isn't that true?

Mr. SCHOTTLAND. I think it is hard to make a generalization, Senator. Many States have——

Senator DOUGLAS. I understand, but isn't this true of a very large percentage of aged? It might not be true of Colorado, it might not be true of California, it may not be true of Massachusetts, it may not be true of the high-benefit States, but isn't it true of the vast majority of States in the Union?

Mr. SCHOTTLAND. I wouldn't want to pass judgment on whether or not they had been forgotten in those States.

Senator DOUGLAS. I don't say they are forgotten, but I say, are not the amounts so inadequate that their energies of the old people are depleted?

Mr. SCHOTTLAND. I think the amounts are inadequate, quite definitely.

Senator DOUGLAS. Well, now, then, I know you are not the policymaker for the Department of Health, Education, and Welfare, or for the administration. I think you are a very efficient administrator, and I think you are a humane man, but I must say I was shocked at the attitude of the administration that it would oppose the measure because of the increase in benefits and that the Secretary he would recommend a veto, and my own feeling is that the Congress and the country should not accept that as a guiding principle—that we should consider the human costs and not merely the financial costs.

Now, may I ask a question about the formula? Do I understand that the formula, the new formula, is not only variable in nature but that it proceeds on the basis of the average payment?

Mr. SCHOTTLAND. That is correct.

Senator DOUGLAS. Rather than taking each individual case?

Mr. SCHOTTLAND. That is correct.

Senator DOUGLAS. This will save an enormous amount of administrative work; will it not?

Mr. SCHOTTLAND. Yes, it will simplify administration both for the Federal Government and for the States.

Senator DOUGLAS. May it lead to an upward movement in the assistance because then if there are some cases where appreciably less than $60 were paid or needed, and in other cases where more than $60 is needed and not paid, will this not permit them to take on more cases above $60?

Mr. SCHOTTLAND. Generally speaking, it is our feeling that such a variable grant does give the States——

Senator DOUGLAS. This is not variable.

Mr. SCHOTTLAND. I mean such an averaging does give the State more flexibility and makes it possible for them to take on cases or makes it possible for them to make payments of a higher amount and get the maximum reimbursement for it.

Senator DOUGLAS. So that this will have something of an immediate influence for the cases where there are special needs?

Mr. SCHOTTLAND. We would think so, yes.

Senator DOUGLAS. Now, I have always felt that since the insurance system was self-supporting and since it was contributory, the benefits are rights and that the income limitation—that one should not earn more than a hundred dollars a month—is excessively rigid. If these people have contributed to the fund out of which benefits are paid, contributing half, and perhaps indirectly contributing more in having the costs shifted back to them in the form of reduced wages and shifted for them in the form of increased prices, they should not have a rigid income limit.

Senator Smathers and some of us have prepared an amendment to strike out the $1,200 and increase the amount by $50 a month, or to $1,800 a year. We intend to present this as an amendment to this bill and we would like to get your attitude on it.

It raises the amount of private income a person can receive from a hundred dollars a month to $150 a month, $1,800 a year, and still be eligible to the benefits under old-age insurance.

Mr. SCHOTTLAND. We reported on this bill, Senator. As you know, we do oppose it. I might state with reference to all these bills that increase the retirement test, it seems to us that there are two questions involved: First, what do we want to insure against, and, second, the theory behind the social security program has been that we are insuring against loss of earned income.

Now, that is loss of income from earnings. There is no question that we could do away with the retirement test, but the problem is, What are the priorities in terms of increased taxes? Is this the best way to use a substantial increase in the tax?

Do workers want to pay this increased tax?

In other words, do all of the workers now working want to pay an increased tax in order that some persons over 65 who are also working and having considerable earned income shall receive benefits? It has been our feeling and the feeling, I think, of the administrators of this program from the beginning, that in terms of the tremendous costs on the rank and file of the 70 million covered workers, to take care of a few persons who are also earning, this is not a justifiable tax.

The cost of this bill would be three-tenths of a percent of payroll for all of the workers.

Senator DOUGLAS. That raises another question. Isn't your projected rate of contributions really excessively high? Mr. Richardson gave some figures the other day that we could have a reserve of 153 billions of dollars around the year 2000, and you do this in order to make your system self-supporting up to 2050, or almost a century from now.

Now, I think this is an excessively rigid thing. I can remember when the original social security system went into effect and that would have provided, I believe, for a reserve of something like $44 billion in 1970, and the members of the Republican Party went out on the stump in 1936 and attacked the hugeness of this projected future reserve, and I thought that there was some merit to that criticism that social insurance is different from private insurance, because you are certain of sources of income which an insurance company is not certain of, when it sells actuarial policies to individuals, since that is a voluntary act.

My own feeling is that this system is overfinanced in the bill as it comes from the House and the rates of contributions for both employer and employee should be slowed up or dampened down.

Now we are faced with the fact that this comes to us in the concluding days of the session and if we wrangle too much about formula and so forth, we may not get any bill at all, and perhaps there are some who would like to see us trip our feet in just that fashion. So perhaps this is not something that should be immediately considered, but I hope that before we are permanently committed to this new contribution this whole matter will be considered much more thoroughly than it has been and that there will be much more public discussion of it.

To me, a reserve of $153 billion invested in Government bonds in the year 2000 presents some very formidable economic problems, and I am not certain that the game is worth the candle.

Senator ANDERSON. Can I just thank the Senator from Illinois for bringing that up? I mentioned it the first day and I still think a trust fund of $150 billion is theoretically necessary, but practically not needed. When you get $50 billion and go on to $100 billion, you are surely up to a point where you had better have a big demonstration of the need for it.

The CHAIRMAN. That is all very conjectural.

Senator ANDERSON. What is that?

The CHAIRMAN. It is very conjectural. It is in the future.

Senator ANDERSON. Yes.

The CHAIRMAN. They are going to increase the benefits, and we will never see the day we will have a surplus of that kind.

Senator DOUGLAS. I wanted to mention this before. While it is true you are increasing benefits by legislative action, it is also true that the upward drift of the earnings provides an offsetting safety factor on the other side.

For instance, we have been increasing benefits. We increased benefits after the 1935 act without increasing contributions; in fact, we slowed up contributions for, as I remember it, about 20 years. We didn't reach our maximum as quickly as the original act specified, and yet the reserves of the Social Security System kept mounting.

It kept mounting because wages kept rising and wages kept rising because productivity kept increasing.

Now, as I say, I think Mr. Myers is an admirable actuary, one of the very best in the country, and he has to proceed on these rigid assumptions, and that is what an actuary should do, but that need not be controlling upon the Nation or controlling upon the Congress, and I hope that this matter is given consideration, not merely by your advisory committee.

I once served on those advisory committees and they are valuable, but also given very deep consideration by Congress and by the general public because this issue is extremely important.

Senator BENNETT. Mr. Chairman, I would just like to make the comment that the time to slow up the rate of contribution payable is the time when the fund, in fact begins to climb sharply.

Thus far, it has not begun to climb. At the moment, the last year or so, it has dropped slightly, and maybe we should give our children and our grandchildren a break in terms of slowing up the contributions, rather than trying to take it all ourselves.

The CHAIRMAN. Mr. Schottland, how many are drawing out of the social security fund now?

Mr. SCHOTTLAND. Approximately 12 million persons are drawing benefits at the present time.

The CHAIRMAN. What are your estimates on the maximum number who would draw in future years?

Mr. SCHOTTLAND. Well, we would have to take that at some particular point in time.

The CHAIRMAN. We have 75 million paying in, have we not?

Mr. SCHOTTLAND. Yes. Our estimates of future contributors are based on population increase and, therefore, a labor force increase. Would you mention that, Mr. Myers?

Mr. MYERS. We estimate that in 1965, for example, there will be 16.6 million beneficiaries as compared with the present 12 million. And in 1970, there will be 19.3 million.

Senator ANDERSON. Could I ask right there if in 1935 you made any estimates of what the picture would be in 1955?

Mr. MYERS. Yes, we did.

Senator ANDERSON. How did they work out?

Mr. MYERS. Well, of course the——

Senator ANDERSON. How did they work out? I share with Senator Douglas——

Senator DOUGLAS. What reserve did you estimate in 1935 that you would have?

Mr. SCHOTTLAND. May I explain that you can't—

Senator ANDERSON. I know you can't.

Senator DOUGLAS. We are going to roll back history. In 1935 what did you estimate the reserve would be in 1955?

Senator BENNETT. We are talking about number of people——

Senator DOUGLAS. No; I am speaking about the size of the reserve.

Senator ANDERSON. I want to have both.

Senator MARTIN. Let's have both.

Mr. SCHOTTLAND. I want to state you have got to consider it in relation to what the 1935 law was without the changes by Congress. If you are talking about——

Senator ANDERSON. I know that story. I know if the life-insurance companies had any idea what would have happened to the span in human life, they might have had a different rate in 1902 from 1952.

Senator DOUGLAS. They traveled a long time on the 1867 mortality tables and they traveling now on the 1902 mortality tables.

Senator ANDERSON. I only want to say this. There was great discussion in 1935 when this law was being drafted as to what the probabilities of unemployment, due to population growth and so forth, might be in 1955.

I think it would be useful to find out how those worked out in order to judge what prediction—how the prediction you are now making in 1958 will work out by the year 2000.

New factors constantly come in. There was a book called Gentlemen Prefer Blondes, that I suppose nobody should have read.

Senator DOUGLAS. But which everyone did.

Senator ANDERSON. When she tried to explain how she drifted from one person to another, she said, "Fate keeps on happening."

That is true of social security, "Fate keeps on happening." You get more people in the labor market, but something happens so they don't need social security.

Mr. SCHOTTLAND. Senator, I am not referring to that kind of statement.

Senator DOUGLAS. In 1935 or the period shortly after 1935, what did you estimate the reserve of the old age insurance fund would be in 1955?

Mr. MYERS. The original estimate for the end of the year 1957 was $25.8 billion.

Senator DOUGLAS. Exactly, and how much is it now?

Mr. MYERS. It is now $22.8 billion.

Senator DOUGLAS. Exactly. You come out to about where you estimated in spite of the fact that the benefits have been increased because of the fact that the average earnings have been increased and your receipts have been much greater than you expected.

In other words, this——

Mr. MYERS. But, of course, there is another important factor. As you know, Senator Douglas, the tax rates did not go up as originally scheduled.

Senator DOUGLAS. Well, that makes it still more remarkable that we reach about the $25 billion mark in spite of the fact we did not increase the premium rates as had been originally provided in the 1935 act. In spite of not doing that, you reached a reserve approximately what you had estimated originally.

Mr. MYERS. There is one other remarkable coincidence along those lines, that I think the Senator may be interested in.

The cost of the benefits as a percentage of the taxable payroll is now very close to what the original estimate was for 1957 for the original system, which, of course, was entirely different from what we have now. Thus, the cost for the OASDI system was 4.02 percent of payroll in 1957, while the estimate for 1957 for the 1935 act was 3.35 percent.

Thus, the relative costs in terms of percentage of payroll have been, by chance, about what were originally estimated.

Senator ANDERSON. May I say, Mr. Chairman, my reason for raising the question was that I had participated in some discussion when some of this work was originally set up. I did take on the job of trying to set up a system in my home State. I mean as to unemployment compensation. We made calculations as to what was going to happen in unemployment compensation and what we would have in the way of funds.

Those calculations went just as wrong as they could be, because we didn't have any experience at all. I am only trying to say, I think if we had applied the rate increases that were scheduled to take place and had followed out what was originally put in that law, we would have had many, many billions in the trust fund far beyond what had been anticipated.

Senator DOUGLAS. That is right.

Senator ANDERSON. We didn't collect as much. We let it go a little easier, and we still ended up about where it had been contemplated we would be, even if we had collected these huge sums of money.

I am only saying we might. I know some of us aren't going to live to the year 2000. Theodore Francis Green will probably be the only

man alive at that time. However it might be possible when we get to the year 2000 that we would have a similar experience to this. I hoped that if you could, I would like to see a little study made as to how these appraisals work out.

I am not nearly as worried about that year 2050 as those people are who want a surplus of $150 billion which I think is an awful lot of money.

The CHAIRMAN. It will be used up. [Laughter.]

Don't worry about that. That is one of the worries this Congress or future Congresses will not have, there will not be any surpluses.

Senator ANDERSON. It will never accumulate. We will never put it in operation in tax increases.

The CHAIRMAN. I agree with that. That is why it didn't impress the committee when somebody said there would be $150 billion in the year 2000.

Mr. Schottland, do you mind giving the committee your prediction as to how many will be getting benefit payments, in future years, as far as you can go, showing also the percentage of the population?

I would like to know about what percentage of the population will get social security payments.

Mr. SCHOTTLAND. We will do that.

The CHAIRMAN. Will you furnish that by tomorrow morning before we act on the bill?

Mr. SCHOTTLAND. We will do that.

(The material referred to is as follows:)

Beneficiaries under the old-age, survivors, and disability insurance system [1] as it would be modified by H. R. 13549, in relation to total United States population, [2] intermediate cost estimate

Year [3]	Beneficiaries [1]	Total United States population [3]	Beneficiaries as percentage of population
1960	14,328,000	185,791,000	7.71
1965	18,632,000	196,359,000	8.98
1970	19,209,000	211,702,000	9.10
1975	22,097,000	226,187,000	9.77
1980	25,320,000	241,660,000	10.48
1990	30,630,000	272,610,000	11.24
2000	33,836,000	302,208,000	11.20

[1] Including beneficiaries under railroad-retirement system who would have been beneficiaries under old-age, survivors, and disability insurance system if railroad employment were covered (as financial interchange provisions assume).
[2] Including continental United States, Hawaii, Puerto Rico, and the Virgin Islands.
[3] As of middle of year.

Senator MARTIN. Mr. Chairman, could I ask a question or make a comment? In the old-age assistance, are you taking into consideration unemployment by reason of mechanization? Take, for example, in the coal mines, a machine now, 2 men do the work of 10, and that is causing an unemployment among a great number of able-bodied men by no fault of their own.

It is just an improvement that we have been accepting, but still there is a group of very unfortunate men and families.

Have you been taking in your estimates, things of that kind into consideration?

Mr. SCHOTTLAND. Well, the estimates on old-age and survivors insurance, that is what you are referring to, Senator, do take into consideration the factor of the average retirement age.

That has been decreasing in recent years. There are a number of reasons as to why the average retirement age has become lower, and one factor undoubtedly is the fact that with increasing mechanization, many older people find it difficult to stay on the job.

How much is weighted for that particular factor, I wouldn't be in a position to state, but it does affect the average retirement age.

Senator MARTIN. Have you taken into consideration, I think the present law, what is it, a man on social security can receive $1,000 or is it $1,200?

Mr. SCHOTTLAND. $1,200 a year and still receive all his benefits for the year.

Senator MARTIN. Have you taken into consideration that a great number of those men are in a physical and mental condition to earn considerably more and whether or not that would permit them to do that, if that would permit them to do that, that would strengthen the economy?

Mr. SCHOTTLAND. Well, if the import of your question is, does the limitation keep people from actually working, we have considered this factor in some detail, and it is a complicated thing.

We certainly are under the impression that this limitation has not been the only factor in making a man decide whether he is going to work or not, particularly considering the relatively small amount which he gets in social security as against present wages of $300 or more a month.

We think, although it may be a slight factor, that the fact that social security is available, may cause people to retire a little earlier.

Generally speaking, we don't think this retirement test is an important factor in the person's decision to retire.

Senator MARTIN. Have you in the amounts you contemplate paying, have you taken into consideration inflation, because inflation has been upward since 1939, a little more in certain periods, but it has been general since 1939 until the dollar has decreased in value practically a half.

Has that been taken into consideration?

Mr. SCHOTTLAND. As I understand it, Senator, and Mr. Myers could answer more directly on this, our estimates are always made on an assumption of level wages and a fixed set of benefit provisions, this time on the basis of the 1956 payrolls and 1956 benefits.

Now the theory behind that is that if wages do rise, and if there is an inflationary situation, then undoubtedly there will be some adjustment, an increase, in the benefits also.

Congress certainly has in the past increased benefits, so that these factors may cancel each other out; that is, the increased income from increased earnings and the increased benefits may cancel each other out. The only way we have of making the cost estimates which we think is an appropriate way, is to assume for purposes of the projection a static wage level—now we use 1956, but this will be revised as later figures are available.

Senator MARTIN. Mr. Chairman, while I realize that this Department probably doesn't have the responsibility, considering the gen-

eral economic condition of the country, I think the time has come when every department must give consideration to the overall economy.

Now we have just gotten through with the reciprocal trade agreement bill, where a great number of industries in America have been damaged to a great extent, but now when we take out of production 9 percent that is an additional cost, and I think all of us ought to be giving things of that kind consideration.

I am not criticizing the Department at all, but I do think that all departments ought to give matters of this kind serious consideration, because in a form of Government like we have, our economy must be sound and we must be in the position to compete with other countries of the world.

I will not go into that further, Mr. Chairman, but I do think it is a matter that all of us in our country ought to give very serious consideration, and it is not fair that, as we say in the military game, we pass the buck.

That is all.

Senator DOUGLAS. I would like to have you make in the next few months an estimate as to what the reserve would have been for 1955 if the rates of taxation or premium rates, provided for under the 1935 act had actually been put into effect.

Mr. SCHOTTLAND. We can give you that right away.

Mr. MYERS. I have made that calculation; as I recall the figure was somewhere around $60 billion to $65 billion. I will put the exact figures in the record.

Senator DOUGLAS. I want to point out this indicates the fact that the system was originally overfinanced, and that there is grave danger that it continues to be overfinanced.

Thank you, Mr. Schottland and Mr. Myers.

(The figures requested by Senator Douglas is as follows:)

AUGUST 15, 1958.

MEMORANDUM

Subject: Estimated progress of OASI trust fund under original contribution schedule.

The following table gives the estimated approximate size of the OASI trust fund under the assumption that the contribution schedule in the 1935 act had been followed (but considering all the benefit and coverage changes made by subsequent amendments). The original contribution schedule was a combined employer-employee rate of 2 percent for 1937–39, rising by 1 percent every 3 years to an ultimate rate of 6 percent in 1949 and thereafter, whereas the actual rates were 2 percent for 1937–49, 3 percent for 1950–53, and 4 percent for 1954–57.

Trust fund at end of year

[In millions of dollars]

Calendar year	Actual schedule	Original schedule	Calendar year	Actual schedule	Original schedule	Calendar year	Actual schedule	Original schedule
1937	766	766	1944	6,005	9,731	1951	15,540	35,582
1938	1,132	1,132	1945	7,121	12,242	1952	17,442	44,861
1939	1,724	1,724	1946	8,150	15,337	1953	18,707	50,782
1940	2,031	2,106	1947	9,260	19,042	1954	20,576	55,966
1941	2,762	3,231	1948	10,722	23,247	1955	21,663	60,065
1942	3,688	4,782	1949	11,816	27,866	1956	22,519	65,587
1943	4,820	7,189	1950	13,721	32,795	1957	22,308	68,996

It is interesting to note that at the end of 1957 the trust fund would have been about $70 billion according to the original contribution schedule, or well in excess of the far-famed estimated ultimate $47 billion in 1980 according to the original estimates made for the 1935 act. It should be noted that the above figures do not include the effect of the railroad retirement financial interchange provision; if this were done, the original schedule figures would be substantially higher (considering the effect of any balance held by the railroad retirement account).

ROBERT J. MYERS.

The CHAIRMAN. The Chair wants to thank the witnesses for the very clear and prompt answers made to the questions propounded, and unless there are other questions we will adjourn.

(Whereupon, at 11:50 a. m., the committee adjourned.)

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