SOCIAL SECURITY REVISION

HEARINGS

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

EIGHTY-FIRST CONGRESS

SECOND SESSION

ON

H. R. 6000

AN ACT TO EXTEND AND IMPROVE THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE SYSTEM, TO AMEND THE PUBLIC ASSISTANCE AND CHILD WELFARE PROVISIONS OF THE SOCIAL SECURITY ACT, AND FOR OTHER PURPOSES

PART 2

JANUARY 23, 24, 25, 26, 27, 28, 30, 31,
FEBRUARY 1, 2, 3, 6, 7, 8, 9, 10, AND 13, 1950

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SOCIAL SECURITY REVISION

MONDAY, JANUARY 23, 1950

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

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George, Connally, Hoey, Kerr, Millikin, and Taft.

Also present: Senator Dworshak; Mrs. Elizabeth B. Springer, acting clerk; and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will come to order, please.

First, this morning, I would like to enter into the record as a part of today's hearings, a table showing the estimated annual amount of increase in Federal funds for public assistance for each of the States under H. R. 6000. It also shows the amount each State may increase its average monthly payment for old-age assistance, aid to the blind, and aid to dependent children at no additional expense to the State. In addition, the table shows the estimated additional annual cost of the Federal Government for public-assistance payments for these three programs and for the establishment of a fourth category of assistance for needy permanently and totally disabled persons as being $263,090,000.

(The table is as follows:)

TABLE —.—*H. R. 6000.—Estimated*[1] *increase in annual amount of Federal funds and in average monthly payment, by program*[2]

[Based on data for September 1949]

State	Increase in annual amount of Federal funds[3]					Increase in average monthly payment[3]			
	Total	Old-age assistance	Aid to the blind	Aid to dependent children	Permanently and totally disabled	Old-age assistance	Aid to the blind	Aid to dependent children	
								Per family	Per recipient
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total, continental United States	$283,090,000	$70,263,000	$1,949,000	$125,228,000	$65,650,000	$2.19	$2.25	$18.77	$5.30
States with per capita income:									
Above average	123,430,000	16,396,000	325,000	63,563,000	43,146,000	1.15	.92	20.60	5.96
Below average	159,660,000	53,867,000	1,624,000	61,665,000	22,504,000	3.01	3.16	17.20	4.76
Nevada	61,000	2,000			59,000	.08			
New York	23,452,000	1,992,000	34,000	13,229,000	8,197,000	1.42	.76	20.51	6.17
Illinois	13,919,000	3,091,000	89,000	6,358,000	4,381,000	2.01	1.64	20.69	5.84
Delaware	398,000	94,000	5,000	150,000	149,000	5.00	2.64	22.98	5.82
California	13,037,000	372,000	13,000	6,284,000	6,368,000	.12	.12	19.81	6.18
Montana	828,000	111,000	3,000	519,000	195,000	.83	.54	20.31	5.62
District of Columbia	703,000	70,000	6,000	488,000	139,000	2.20	2.11	22.43	5.56
Connecticut	1,969,000	253,000	2,000	975,000	739,000	1.17	.83	20.49	6.07
New Jersey	3,059,000	460,000	12,000	1,252,000	1,335,000	1.61	1.42	20.47	5.73
Rhode Island	1,540,000	251,000	3,000	853,000	433,000	2.11	1.42	20.41	5.94
Maryland	2,532,000	481,000	12,000	1,508,000	531,000	3.35	2.13	22.10	5.53
Massachusetts	6,400,000	946,000	13,000	2,894,000	2,647,000	.76	.76	20.59	5.99
North Dakota	766,000	190,000	2,000	427,000	177,000	1.79	1.61	20.81	5.65
Ohio	10,342,000	1,698,000	75,000	3,127,000	5,442,000	1.12	1.70	20.28	5.47
Washington	4,522,000	336,000	1,000	2,784,000	1,401,000	.40	.12	20.17	5.99
Wyoming	258,000	26,000	1,000	122,000	109,000	.54	.54	21.24	5.69
Michigan	13,006,000	1,767,000	17,000	6,372,000	4,850,000	1.52	.83	20.81	6.28
South Dakota	1,047,000	324,000	9,000	510,000	144,000	2.66	3.45	20.79	6.01
Colorado	2,111,000	80,000	3,000	1,311,000	717,000	.14	.54	21.42	5.72
Pennsylvania	18,993,000	2,832,000		12,362,000	3,799,000	2.64		20.87	5.85
Wisconsin	4,457,000	1,060,000	25,000	2,038,000	1,334,000	1.76	1.52	20.38	5.85
Nebraska	1,685,000	493,000	10,000	856,000	326,000	1.70	1.42	20.21	5.99
Indiana	6,448,000	2,093,000	59,000	2,407,000	1,887,000	3.45	2.66	20.54	5.91
Oregon	2,218,000	461,000	3,000	789,000	965,000	1.66	.76	20.40	5.78
Iowa	2,986,000	793,000	20,000	1,142,000	1,031,000	1.36	1.42	20.28	5.69
Idaho	833,000	214,000	2,000	542,000	75,000	1.64	.83	20.28	5.73

Minnesota	4,905,000	1,080,000	10,000	1,940,000	1,875,000	1.62	.76	21.26	5.99
Missouri	10,613,000	2,194,000		4,845,000	3,574,000	1.45		16.46	4.65
Kansas	2,673,000	529,000	13,000	1,271,000	860,000	1.17	1.42	20.34	5.68
Utah	1,272,000	186,000	3,000	835,000	248,000	1.54	1.17	20.80	5.83
New Hampshire	855,000	169,000	4,000	355,000	327,000	1.97	1.12	20.48	5.80
Vermont	615,000	291,000	6,000	178,000	140,000	3.84	2.66	17.22	4.60
Maine	1,759,000	267,000	11,000	622,000	859,000	1.57	1.45	15.94	4.32
Florida	7,337,000	1,705,000	59,000	4,699,000	874,000	2.13	1.57	16.39	4.73
Arizona	1,196,000	88,000	4,000	867,000	237,000	.61	.40	21.67	5.69
Texas	14,332,000	9,760,000	197,000	3,603,000	772,000	3.72	2.66	17.37	4.58
Virginia	3,329,000	1,063,000	78,000	1,551,000	637,000	4.81	4.56	18.90	4.93
New Mexico	1,951,000	438,000	21,000	1,239,000	253,000	3.81	3.81	20.41	5.71
West Virginia	4,796,000	1,400,000	51,000	2,812,000	533,000	4.79	4.56	17.12	4.62
Oklahoma	6,579,000	509,000	20,000	4,794,000	1,256,000	.42	.61	16.60	4.70
Louisiana	10,162,000	850,000	45,000	6,990,000	2,277,000	.59	2.29	21.43	5.98
Georgia	8,535,000	5,434,000	148,000	2,431,000	522,000	4.82	4.79	16.74	4.68
Tennessee	8,137,000	3,420,000	99,000	4,185,000	433,000	4.56	3.45	17.04	4.63
North Carolina	6,933,000	3,328,000	207,000	2,660,000	638,000	4.87	4.56	17.45	4.57
Kentucky	8,196,000	3,636,000	128,000	3,942,000	490,000	5.00	5.00	16.56	4.70
Alabama	7,277,000	4,357,000	77,000	2,259,000	584,000	4.87	4.88	13.66	3.66
South Carolina	3,531,000	2,314,000	85,000	671,000	461,000	5.00	5.00	7.21	1.88
Arkansas	6,313,000	3,403,000	108,000	2,490,000	312,000	4.88	5.00	16.74	4.68
Mississippi	4,296,000	3,392,000	156,000	690,000	58,000	4.70	5.00	6.62	1.78
	Amount per inhabitant								
Total, continental United States	$1.78	$0.48	$0.01	$0.85	$0.44				
States with per capita income:									
Above average	1.49	.20	(5)	.76	.52				
Below average	2.16	.83	.03	.95	.33				

[1] H. R. 6000.—Federal funds shall equal, for:

Old-age assistance, aid to the blind, and aid to the permanently and totally disabled: Four-fifths of the first $25 per recipient plus one-half the next $10 per recipient plus one-third of the balance within maximum on individual assistance payment of $50.

Aid to dependent children: Four-fifths of the first $15 per recipient (including dependent children and one adult per family) plus one-half the next $6 per recipient plus one-third the balance within maximums on individual assistance payments of $27 for the adult, plus $27 for the first child, plus $18 for each additional child in the family.

[2] Assumptions underlying estimates:

Old-age assistance, aid to dependent children, and aid to the blind: Assuming that States will continue to spend from State and local funds each month as much as they spent from these funds in September 1949 and that additional Federal funds will be used to increase average payments to recipients.

Disabled: Assuming that States will spend per disabled recipient from State and local funds as much as they spent from these funds per aged recipient in September 1949. Because of limited information the estimates for the respective States, for this category of assistance, are subject to a wide margin of error.

[3] Less than $0.005.

The CHAIRMAN. Hon. Ben T. Huiet, Commissioner of the Department of Labor, Georgia, is unable to appear this morning but has submitted a brief statement on H. R. 6000. The statement consists of a page and a half of typewritten material, and without any objection, that will go into the record as a part of the proceedings this morning.

(The statement referred to is as follows:)

STATEMENT OF BEN T. HUIET, COMMISSIONER DEPARTMENT OF LABOR, GEORGIA

The practical administration of our State employment security program is often affected by the terms of the Federal Social Security Act. It is quite understandable that we should be equally concerned with the possible impact of provisions in the Federal statute on our State law. I am, accordingly, taking the liberty to make some observations which I trust will be useful to you in your studies of the proposed amendments.

An examination of the contents of H. R. 6000, passed by the House of Representatives, reveals that one of its provisions, if finally adopted by Congress and eventually made applicable to the Federal Unemployment Tax Act, may have an important bearing on our own State unemployment compensation law. I refer to the proposed amendment to section 210 (h) of the Social Security Act, defining the term "employee" for old age, survivors and permanent disability insurance purposes on pages 48 51 of the bill.

In my opinion this definition is a very good one and should be given serious consideration by the Senate. The question of who is an employee, from a legal standpoint, has been a troublesome problem for a great many years. It has been an equally troublesome question under State unemployment compensation laws. For some time it has been perfectly obvious that use of the usual common-law rules as developed for tort liability or other such purposes, as the sole test for determining the employment relationship for social security and unemployment compensation purposes, has been inadequate. Under these rules, the courts have generally stated that an individual is an employee if the person for whom he performed services has the legal right to control such individual not only as to the result to be accomplished by the work, but also as to the details and means by which the result is to be accomplished. However, while this test is relatively simple to state, its application to particular situations has proved to be very difficult. Court decisions with respect to particular factual situations differ among the several States and even within the States. In fact, the entire field of law dealing with the employer and employee questions under usual common-law rules for determining the relationship is probably more marked by inconsistent results achieved under almost identical circumstances than any other field of law. Further, the usual common-law rules, by reason of their emphasis on the legal right to control, have permitted many employers to alter the status of individuals in their employ and thus avoid the payment of social-security taxes and unemployment compensation contributions by mere formal shifts in their contractual relationship.

The definition of "employee" in H. R. 6000 undertakes to correct this deficiency by extending the definition to include individuals who may not be employees under usual common-law rules but occupy the same status as those who are employees. This is accomplished in two respects. First, it lists by occupational groups certain types of individuals who shall be deemed to be employees for social-security purposes. These individuals, it is provided, would be covered under the program as employees if they substantially perform their services personally under a continuing relationship with another person and have no substantial investment in their facilities for work other than in an automobile used for transportation purposes. This paragraph, if adopted, would assist materially, therefore, in removing many of the present uncertainties, doubts, and conflicting decisions surrounding the coverage of individuals in the occupational groups listed in the definition.

Second, and perhaps of greater importance, is the last paragraph of the definition. Under this paragraph the status of an individual as an employee who is not an employee under the usual common-law rules or who is not within one of the enumerated occupational groups, would be determined from the combined effect of seven enumerated factors. It appears to me that if this paragraph is finally enacted, it would go a long way toward enabling administrative agencies and the courts to differentiate, in many instances, between individuals who are employees and individuals who are not employees on the basis of factual considerations and

not on the basis of technical legal concepts. It would thus serve to complement the other tests in the definition and to limit considerably the possibility of tax avoidance through mere formal shifts in contractual arrangements. Most of all, it would provide for greater certainty in the application of the program and would benefit both employers and employees by removing much of the doubt which now exists relative to whether or not particular individuals are employees for social-security purposes.

The CHAIRMAN. Miss Dunn, I believe you are scheduled as the first witness. Will you just take that seat there, please?

STATEMENT OF MISS LOULA DUNN, DIRECTOR, AMERICAN PUBLIC WELFARE ASSOCIATION

Miss DUNN. Thank you, Senator.

The CHAIRMAN. Will you now please identify yourself for the record?

Miss DUNN. My name is Loula Dunn, and I am Director of the American Public Welfare Association, an organization of State and local public welfare departments and individuals engaged in public welfare at all levels of government.

Many individual States are sending their own spokesmen to present to this committee their specific problems and interests in relationship to social security. My testimony is related to the common denominator of thinking among all the states and all those who administer the public assistance and other welfare aspects of the Social Security Act as determined through the machinery of their own organization.

The CHAIRMAN. Were you a State official?

Miss DUNN. Yes; I was. I was Commissioner of Welfare in the State of Alabama until this fall.

The CHAIRMAN. For how long?

Miss DUNN. For 12 years.

The CHAIRMAN. Thank you very much. We want to get that in the record.

Miss DUNN. Naturally differences do arise on specific points but the area of general agreement is none the less wide and significant.

First may I express our gratification with the foresight shown by this committee in appointing in 1947 an Advisory Council on Social Security composed of outstanding citizens representative of all major interests concerned with social security. The report of this advisory council showed, in our opinion, intelligent study of the whole question and a remarkable grasp of the problems involved. Many of the comments and recommendations made by this council in 1947 and 1948 have now in 1950 become compelling and immediate issues as a result of the course of intervening events. We feel the committee is to be congratulated in having before it the recommendations of this foresighted group.

We also wish to express our satisfaction with the vigorous and understanding way in which the House, especially through its Ways and Means Committee, attacked the inequities and inadequacies of the present social security program in preparing and passing the bill now pending before you, H. R. 6000. Since my testimony for the Senate committee will be chiefly concerned with modifications and additions which we would like to see made in H. R. 6000 I wish to make clear our general endorsement for the provisions of the bill.

I would like to preface our specific recommendations by a general statement of our position concerning the relationship of contributory social insurance and public assistance granted on the basis of individual need. Public welfare commissioners and others concerned with the administration of assistance have long been disturbed by the growing size and cost of assistance programs. We do not look with enthusiasm on growing assistance loads. In fact, on the contrary, we view these large case loads as a measure of our failure as a Nation to prevent dependency. We have been particularly alarmed both by the failure of the contributory social-insurance system to keep pace in benefit levels with the rising cost of living as reflected in the minimum subsistence levels established by States for public assistance and by the failure to extend the contributory system to a larger proportion of the total population. This has resulted in a mounting pressure both on the States and the Federal Congress to move the assistance program in the pension direction through higher flat-grant assistance payments and fewer eligibility restrictions. We feel that this pressure distorts the relationship of public assistance to social insurance and will seriously endanger the latter if immediate action is not taken to broaden the coverage of social insurance and increase its benefit level. We were pleased to note that the advisory council report pointed up this problem so sharply, as did likewise the report on H. R. 6000 of the House Ways and Means Committee.

I know I do not need to stress to this committee the obvious economic, social and individual advantages of a contributory system which is self-financing and entitles the beneficiary to payments, without inquiry into his individual situation, as a matter of equity right. When most individuals and most situations of economic insecurity beyond the control of individuals are covered in this way, public assistance can assume its rightful residual role, meeting unusual situations in a flexible individual way.

For this reason we would like to see the coverage of the social insurance provisions of H. R. 6000 extended as the advisory council recommended, to all working people. Welfare commissioners in agricultural States are particularly concerned by the need to bring into the contributory system self-employed farmers and farm workers because they recognize the heavy burden which their exclusion imposes on their States. To the extent that social security for the industrial worker, under either public or private auspices, enters into the cost of producing manufactured goods, the farmer pays his share of the bill without any equivalent benefit. The only solution to this problem appears to lie in a universal system in which all can share equitably. The concept of parity is a factor in retirement exactly as it is in current farm income and increasingly farm States and farm organizations are becoming aware of the need to right this other aspect of imbalance between urban and rural life. Under present circumstances it is not surprising that rural States, with little stake in social insurance, are the centers of the movement for a universal old-age pension system which so seriously endangers the contributory system.

We also favor the extension of contributory insurance to other self-employed, public workers, workers for nonprofit agencies—here we would prefer a compulsory contribution from employers as well as employees—and domestics. With respect to domestics we should like to see coverage extended to part-time domestic workers as recom-

mended by the House minority as well as the full-time workers covered by H. R. 6000.

Because of our interest in reducing assistance loads as quickly as possible we favor the so-called new start recommendation of the advisory council whereby persons approaching the retirement age could qualify for benefits after a year and a half of covered employment rather than a minimum of 5 years as required in H. R. 6000. Without this provision the effect of extended OASI coverage on assistance costs will be long delayed and the pressures to liberalize assistance programs in the pension direction will continue to grow.

We favor the provisions of H. R. 6000 with respect to insurance against permanent and total disability because we know the cost, both in individual dependency and charges against tax funds of chronic illness and long-time disability. Over three-quarters of a million of those receiving federally aided public assistance are in need because of disability and another third of a million are similarly dependent on general assistance. We favor the closest possible relationship between disability insurance and rehabilitation in order that the benefits of advancing medical knowledge may restore as many as possible to self-support. But we recognize that most cases of permanent disability fall in the higher age brackets and constitute, in effect, premature old age. It seems to us unfair and unnecessary to require a man who has worked all his life but is now bedridden at 63 to eke out the next 2 years on assistance rather than extending him the dignity and comfort of the retirement benefit to which he would be entitled at 65.

Even though we emphasize the primary importance of preventing dependency—through an expanded contributory insurance system, jobs for all employable persons, and rehabilitation measures for all those who can be restored to employability—we recognize that when need does occur public responsibility must exist to relieve it. This is not a new concept in our society but it has undergone a considerable change from the early poor laws enacted in the sixteenth century. We feel that all genuinely needy persons should receive sympathetic and intelligent consideration of their needs and adequate assistance to meet them on a basis of minimum decency consistent with American concepts of human dignity. For this reason we favor the extension of Federal aid to the States to include assistance to all needy persons, whatever the cause of their need. We feel that the essentials welfare role in social security is to provide the ultimate underpinning, to serve as a court of last resort to which persons can turn when the more specialized public programs as well as all private resources have failed to meet their particular need. A comprehensive assistance program is essential to the fulfillment of this social function and we, therefore, wish to reiterate our long standing support for Federal aid to so-called general assistance as well as the three present categories. This recommendation is also before you from the advisory council on social security.

Senator MILLIKIN. Miss Dunn, may I interrupt you, please?

Miss DUNN. Yes, Senator.

Senator MILLIKIN. Have you determined to your own satisfaction that the local communities and the States are unable to meet the particular problem which you are now discussing, that is, general need, regardless of age, and so on?

Miss DUNN. Yes; I think we are satisfied that they need assistance to do it.

Senator MILLIKIN. Has that been the experience?

Miss DUNN. Yes.

Senator MILLIKIN. Do not the churches and the lodges and the community chest and the governmental efforts of the local units concern themselves with that problem?

Miss DUNN. You mean general assistance?

Senator MILLIKIN. For all needy. I am assuming that you are talking about the needy, regardless of age or regardless of working status.

Miss DUNN. Yes; I am. And I think that they do concern themselves. But there is a great unevenness, Senator, over the country, as to the availability of those facilities, when you take a country as different as ours. In some sections of the country, I think you do have highly organized machinery of public and private agencies to do a better job than you would find in some of the more remote and rural areas.

Senator MILLIKIN. Could not an argument be made directly to the contrary: that the vastness of this country, with all its inequalities, makes it rather impractical to have a rigid system?

Miss DUNN. Well, I do not think I am speaking necessarily of a rigid system, Senator. I am speaking of an underpinning of the program, so that wherever a person may live he may be guaranteed a minimum security. Just because he happens to live in a rural area in Senator George's State, my neighboring State, I think does not mean that he should not have an opportunity to obtain the minimum essentials of life, any more than if he had lived in the metropolitan area.

Senator MILLIKIN. I am not at this time, at least, resisting what you say, but I am trying to get at the causes. Oh, I realize there are some very, very poor communities, and there are relatively poor States. But why is it, generally speaking, that we at home are not able to solve these problems of general need where there is real distress? Why is that? Why do we come to Washington, in other words, and ask for a solution of a problem which, by its nature, is local?

Miss DUNN. Well, I am not sure that I would agree that it is wholly local.

Senator MILLIKIN. I agree that there is a national impact on everything that happens in the State. I agree with that. But after all, if a person is sick, he is sick in the town of Squedunk; or if disabled, he is disabled in the town of Squedunk. And that has a direct impact on his family and on his neighbors and on the community, and in a dozen other directions, the most of which are local. True, it is a national disgrace to have insufficient education and insufficient care of people, but I am talking about meeting direct local responsibility. Why is it, for example, that we come to Washington, as we have done, and ask the Federal Government to take over relief programs for crippled children? What kind of a country are we developing that we cannot take care of crippled children at home? I am trying to get the benefit of your experience.

What is the matter with our thinking, what is the matter with our humanity, what is the matter with your local decencies, when people feel impelled to come to Washington to ask us here to pass laws and

appropriate money to take care of a crippled child, who essentially is living at home, and whose problem reflects itself all over the community?

Miss DUNN. Well, I do not know that I have any simple answer to that, Senator. I doubt if there is any one simple answer. It is a part of the times in which we are living. I think it is a part of the whole system that has been developed. I think that the lack of division of the tax dollar as to what the State has and what the Federal Government has is all involved there. I think that as we have become a more complicated society we have often lost sight of the fact that much of this is still being done locally. But the complexity of life today magnifies these problems, so that we have to knit ourselves together, as the community, the State, and the Nation to solve them.

Senator MILLIKIN. I think you have made, if I may say so, one or two very profound observations. Surely it is clear that the more of the tax dollar we bring to Washington, the less of it we have at home to serve our needs. That certainly is true. And the more we put these burdens upon Federal Government which perhaps—I am just stating an hypothesis—should be handled at home, the less able we are to meet our problems at home.

Last year we passed a bill in aid of crippled children. And frankly, it made me sick, I mean physically sick, to see a situation where a community would bring the problems of a crippled child to Washington for solution.

Senator CONNALLY. Are you through, Senator?

Senator MILLIKIN. Yes.

Senator CONNALLY. Senator Millikin, I heard your statement and sympathize with it very greatly in a way. But I would like to suggest to the lady that one of the reasons these things come to Washington is the unjust and uneven economic situation in the United States, whereby there are funneled to the rich centers like Chicago and New York, the problems and the emoluments that come from all over the United States. Now, I have voted against a good many bills simply because I wanted them to be administered by the State instead of the Federal Government. But when you break it up, there is the seat of your trouble. The people out in the States see the injustice of paying these enormous profits in incomes into these rich centers and then having the rich centers holler, "Oh, States' rights. We cannot do this. You must go back and do it at home."

When you try to force some little State right now to put on these programs alone, without outside aid, it is simply unworkable, and in a way tyrannical. Now, that is the reason. I am not saying I subscribe to that reason altogether, because I do not. I very frequently break over and vote the other way. My sympathies are all the other way so far as the governmental theory is concerned. But the governmental theory is one thing, and digging down in your pocket and getting the money is another thing. However, you cannot disassociate them.

Pardon me, Mr. Chairman. I just wanted to interject that view. I think if you look back over the roll calls, you will find that a lot of southerners who believe in State rights, and all that, every once in a while vote for these bills putting the responsibility on the Federal Government, and the reason is just founded in what I have said in this statement.

Miss DUNN. Is it not true, too, Senator, that there are many States where you have a larger block of child population, in some of the Southern States, for instance? And we spend our money educating them, and then they go away to these industrial States you speak of and help earn the money that you are speaking of, and then some of the States are caught with a very young and a very old population to take care of. I think you will find that is true in a number of the States that are economically considered very poor. And I think that contributes, Senator, to the problem that you spoke of.

Senator MILLIKIN. I think that Senator Connally emphasizes the proposition that the more we bring these programs to the Federal Government the costlier the programs become to the Federal Government and the less is our ability to take care of our problems at home. That applies, I suggest, to the Southern States as well as to all the other States.

The CHAIRMAN. You may proceed.

Miss DUNN. I have just finished stating that we were supporting general assistance.

If, however, you do not feel prepared to commit the Federal Government to sharing in the cost of general assistance at this time, we urge upon you a broadening of the definition of "disability" in the proposed new category, "Aid to the permanently and totally disabled," in H. R. 6000. We should like to see this broadened to include all those who are needy because of disability, along the line of the bill introduced last year by Senator Long, S. 2162. The most constructive investment of public assistance funds can often be made in the early stages of illness or disability when preventive or curative measures are the most possible.

We should also like to see a broadening of the definition of "eligibility for aid to dependent children" to include children with both parents able-bodied and in the home where actual need is found to exist. The present definition can have the effect of encouraging desertion in localities and situations where unemployment does exist since the eligibility of the family for federally aided assistance is dependent on the absence of the father.

Senator MILLIKIN. May I ask you another question, please? You believe it is more advisable to take care of the disability problem through the old-age and survivors insurance system than through general assistance?

Miss DUNN. I think the first and most important thing to do, Senator, is to extend and broaden your social insurances. I think that we public welfare people have seen, better perhaps than any other group of administrators, the result of failure to extend the coverage and the benefits for that group, and at the same time the mounting costs of public assistance. And we would like to see just the reverse happen: A growth in the insurances and a decrease in public assistance. We think that is sounder economically, and we think it is sounder planning socially.

Senator MILLIKIN. One of the difficulties with the old-age insurance system is that it is taking a definite amount of money, and you are obligated to pay a definite amount of money. Where you have a cheapening of the dollar, you cannot look very far into the future and say that the man is going to get, in real purchasing power, that which he is paying for; whereas, in public assistance, and I just want the

benefit of your long experience on this, because this has been plaguing me a little bit, the Congress can keep its appropriations for public assistance in line with the purchasing value of the dollar. For example, as to the $22 or $23 average which we are getting out of old-age and survivors insurance if a fellow starting contributing back at the beginning of the system, he is only getting 50 percent of what he paid for. Now, could I have the benefit of your thinking on that?

Miss DUNN. I am not sure, Senator, that I am clear what it is that you want me to comment on.

Senator MILLIKIN. Let us break it down.

Miss DUNN. All right.

Senator MILLIKIN. In public assistance there are many temptations, including political temptations, which we will pass for the moment. But we can sit here every year, and we can say, "A disabled man needs so much money in terms of the present value of the dollar," and we can keep ourselves in constant adjustment with the value of the dollar in the public-assistance field; whereas in the insurance field you have, if I may repeat the word, a greater rigidity. You pay in a fixed number of dollars, and you take out a fixed number of dollars, and that which you take out may have no realistic relation to the needs of the insured.

Miss DUNN. Well, I think that actually we have not been able to anticipate the purchasing power of the dollar, even in the public-assistance programs, as realistically as perhaps we and you would have liked to do.

Senator MILLIKIN. We have made some increases, but I do not believe they have kept up with the loss in purchasing value of the dollar. But we have made some increases.

Miss DUNN. But on the other hand, there has been nothing done appreciably on the insurances. And I think, to follow that idea, Senator, you might say: "Why save for the rainy day? Because you cannot anticipate what the price of your dollar would be at the time you need it." I think it is certainly socially sounder for a people to contribute during the time they are earning for the time when they will be old and unable to earn. I think it is more dignified. I think it is more economical for the country. I think it is a far more satisfactory way. And I think ultimately if something is not done, and done soon, on the insurances, they will be swallowed up by the public-assistance programs, and we will be into a general public-assistance or pension program without contributions of the employee, or whatever you want to call it.

Senator MILLIKIN. But will people be happy under the insurance system?

Miss DUNN. Oh, yes; much happier, I think, than under public assistance.

Senator MILLIKIN. Will they be happier under a program in which the fixed dollars which they are to receive when they come into the beneficiary status are worth so much less in purchasing power than the dollars which they put in?

Miss DUNN. Of course, I have no technical knowledge of the social insurances, but is not one of the things you are doing just this: that you are looking at the plan of modification of your social insurances so that you can as nearly as possible anticipate a benefit level that will provide a decent way of retirement?

Senator MILLIKIN. If we had a crystal ball, I respectfully suggest, that could tell us about the value of money in, oh, 5 years or 10 years. But we are talking about some things here that run to the year 2000. Are we in a position today to anticipate the very thing you are talking about, say, as much as 5 years or 10 years?

Miss DUNN. Well; yes; I think you could do quite a bit on it. And I think that the present plan of just extending your public assistance, without accompanying it with an improvement of the coverage and benefits of your insurances, is, from where we sit, as welfare administrators, very unsound socially or economically. Because we think that it was never intended that way. We think it was intended for us to do the small job and for the insurances to do the big job.

Senator MILLIKIN. Then am I fair when I say, when you speak of the insurance system, that it should be put on a basis where the outtake has fair relation to the value of the money put in on the intake?

Miss DUNN. Well, I would assume so, yes.

Senator MILLIKIN. Thank you very much.

Senator CONNALLY. May I ask you one question? The question propounded by Senator Millikin about the fluctuation of money applies to everything; not only social security, but it applies to salaries and expenditures of all kind, does it not?

Miss DUNN. It applies to all of us, does it not?

Senator CONNALLY. It applies to everything. We cannot solve that on social security alone.

Senator MILLIKIN. I quite agree with the distinguished Senator. But that does not ease the problem, anyway. That enlarges the problem.

Senator CONNALLY. That may be. But then to pick out, say, one particular thing and say, "We cannot do that, because this money is going to wobble," is to leave out of consideration the fact that money wobbles everywhere. We would stop all of our activities if that argument were valid.

The CHAIRMAN. The difference is, I think you will agree, that in ordinary life insurance, insurance of any kind, it is simply one of the risks we assume when we buy, because we do not know what purchasing power it will have. However, that is voluntary. Now you are dealing with a compulsory system, here, which the employer and the worker are forced under. And we thought it wise to do it and did do it. That, of course, presents a slightly different question.

What I want to ask you is this: As I get it, you think that the system should be extended to cover need, regardless of age, and so forth. That is, where need actually exists, and in the case even of children, dependent children, where the mother and father are both living, and the child is still with the father, but the child is needy.

Miss DUNN. Yes, I think that there is genuine need there; that that should be your measure. But remember that I prefaced that statement by urging that this committee extend the coverage of its insurances.

The CHAIRMAN. I understand that. I was going to come to that. You do believe in practically the universal extension of the insurance service system?

Miss DUNN. Yes.

The CHAIRMAN. And that, in your opinion, would very greatly relieve the necessity for these grants-in-aid for these particular assistance programs as carried on by the States?

Miss DUNN. Yes. I think if we could get our universal coverage, as you say, so that particularly our agricultural workers would be covered, that would be very advantageous. In so many of our rural areas, you know, a large percentage of our workers are agricultural workers.

The CHAIRMAN. I think you specifically referred to the agricultural workers or farm workers. That, of course, would give the farmer a chance to come in as self employed. And even the temporarily engaged domestic servants should be brought under the system as well. Of course, I know that, living in Alabama, you have been obliged to take into consideration the difficulties, the practical difficulties I am now referring to, of making payments into the fund. For instance, as to farm workers, do you think the stamp plan that has been often advanced by some of the Social Security people would really meet the problem, solve the practical difficulties?

Miss DUNN. It seems reasonable to me, Senator. I do not see why it would not.

The CHAIRMAN. I want to just submit this to you, because it has been urged here by either Miss Lenroot or Miss Hoey from Social Security last week: that as to the need of the child, for instance, just to go into that category alone, if actual need exists, there should be some assistance given, although the father is at home and the mother is at home.

This is the situation, is it not? Is not the question of need entirely relative? How are you going to fix any minimum and say, "This is need, and beyond this it is not need"? Is it not a relative term, a relative condition?

Miss DUNN. Well, primarily the field of public assistance applies to what we call the minimum essentials of life, food, shelter, clothing, and some reasonable basis of medical care. It does not represent any luxuries at all. I will agree with you that it is relative. It is like the measure of the price on a dollar in different sections of the country. That is relative.

The CHAIRMAN. It is largely a question of keeping up with the Joneses, is it not, after all? In part is is, I would say. And if the only way to meet it is by general pensions, you do not advocate general pensions?

Miss DUNN. No; I am advocating a general extension of your coverage of your insurances on a contributory basis, and then doing a job on your public assistance.

The CHAIRMAN. I appreciate that. And your thesis is that by the general extension of coverage, and liberalization of benefit payments—

Miss DUNN. And speeding up the payments.

The CHAIRMAN. And speeding up of payments, you are then obviating the necessity for this assistance to these particular categories?

Miss DUNN. Well, we think we are reducing it in terms of volume. We think there will always be some specialized groups that will need assistance, certainly. But the lack of balance which we find today in the number of people receiving public assistance and getting insurances is, one might say, almost the opposite of what we had hoped for at the

time the Social Security Act was passed. Public assistance is larger than the insurances; and in my judgment it should be exactly the reverse. And I think if you extended your coverage and your benefits and stepped up your rate of payments, you would find that you would have a decline, then, of the pressures on your public-assistance programs.

The CHAIRMAN. I understood that to be your viewpoint. Well, you may proceed.

Senator MILLIKIN. May I suggest that your logic is impeccable; but, if I may put out a thought of my own, I doubt very much, despite the good quality of your logic, that it will decrease public assistance $1. Because public assistance is intimately related with politics in the States and at the Federal level. Right now if we had a bill in the Senate, it is my personal opinion, and anyone offered an amendment to increase public assistance, and if at the same time we had a bill before us to increase the benefits under the insurance system, you could not defeat that kind of amendment, and you could not defeat any increase in public assistance in the State legislature, in most State legislatures. You are absolutely sound logically; and as a political matter I will not say you are unsound, but I would say perhaps there are some serious questions about it.

Miss DUNN. Well, Senator, I realize the point you are making, but I think you might go back to this fact: What do these people prefer? What do these people who are now getting public assistance prefer? And I actually think they prefer to be under a contributory insurance system. I do not think that there would be the pressure for a public-assistance program. You would get certain pressures, of course, because that is realistic, but I do not think the volume of pressure would be the same. Because the pressure on the politician comes from his constituents, and I think his constituents would be better satisfied with the more dignified logical basis of an insurance earned as a right.

Senator MILLIKIN. I respectfully suggest that we will never rid ourselves of those pressures, and I am not so sure we should be rid of them. It is the business of a political institution to receive and assay and, I hope, act intelligently on pressure. But if, today, we had the power to do it, and we were to establish a universal pension in response to the movements which are going on in private industries, of a much larger sum than this insurance system yields, next week you would have a drive to increase those private pensions, and, when they were increased, if they were, you would have a repetition of your same pressures and your same problems. I am just talking about what I believe is the politics of the thing.

Miss DUNN. I would agree that it is perfectly healthy in this democracy of ours to have the representatives that we have elected to come to Congress or the legislature know what our feelings and our attitudes are. But as to the volume of requests for extension of public assistance, I think you might get your pressures on your extension of your insurances. However, I think you might get some of it; I would agree with you; I have lived back where they live, too.

Senator MILLIKIN. Not very long.

Miss DUNN. May I proceed, Senator?

The CHAIRMAN. Yes; you may proceed.

Miss DUNN. We urge upon the committee favorable consideration of the advisory council's recommendation to make separate financial

provision for medical care furnished assistance recipients by matching 50 percent of such costs up to an average of $6 a month for the total adult case load and $3 a month for the total number of children receiving assistance. H. R. 6000 does provide authority, long sought by assistance administrators, for public-welfare agencies to provide medical and hospital care, when needed and not otherwise available, to assistance recipients as well as granting them assistance in cash. While most assistance agencies now make provision for medical needs in the budgets on which cash grants are based, this is not in many situations the best way of meeting such needs.

The provision in H. R. 6000 that such medical and hospital care be chargeable against the individual monthly ceilings would be extremely difficult to administer and would make it impossible to meet those heavy nonrecurring items, such as hospital care, which are frequently the least costly in the long run. It is for this reason that we ask favorable consideration of the advisory council recommendation to handle medical care separately on an average cost basis.

Many health organizations are interested in this aspect of the assistance problem and some of them will undoubtedly testify on that interest. It is, however, significant, I believe, that on January 7 the Inter-Association Committee on Health, composed of top ranking officials of the American Dental Association, American Hospital Association, American Nurses Association, American Medical Association, American Public Health Association, and the association I represent, the American Public Welfare Association, adopted a statement supporting the need for earmarked funds to finance medical care for assistance recipients. While this statement is subject to ratification by the governing boards of each of these organizations I believe its adoption by the committee is sufficiently significant to warrant quotation at this point. It states:

> It is recognized that public-welfare departments are now handicapped in carrying out their existing responsibility to assure medical care (wherever the term "medical care" is used in this statement, it is understood to include dental, nursing, hospital, and other health care as well as physicians' services), when needed and not otherwise available, to recipients of Federally aided public assistance by the inadequate financial provisions of the Social Security Act and its requirement that all aid be extended in the form of cash payments to the recipient. It is therefore recommended that the latter restriction be eliminated and that the agency administering assistance be authorized to finance the purchase of medical care in behalf of assistance recipients. In order to assure the quality of medical care thus purchased for assistance recipients and relate it to their individual needs, it is also recommended that its financing be accomplished through funds earmarked for that purpose rather than charged against the funds available for cash payments to individuals. The further view is expressed that any provision to finance medical care for assistance recipients should permit the administrators of the medical aspects of such care by public-health departments and that such arrangements should have the support of those six organizations.

And there has recently been formed an association of these groups, to deal with problems of common interest, and at their meeting on January 7 they came forth with a resolution that emphasized the need for special attention to this problem, and I thought it would be well for you to have it before you.

Senator MILLIKIN. Was the resolution referred back to the constituent members of that over-all committee?

Miss DUNN. Well, it has been referred to the respective boards of the organizations.

Senator MILLIKIN. Have they taken any action?

Miss DUNN. No; the boards have not met yet. But the representatives who were there have considerable authority to represent their organizations, since they are presidents of the board, executives, and it is reasonable to assume that they speak with considerable authority for their organizations.

If for any reason the Senate Finance Committee does not feel it can adopt the recommendation of the advisory council on this point, that is, medical care, an amendment to have the ceilings on assistance payments apply on an average rather than individual basis would help in meeting certain medical-care needs. Under such a plan individual payments made to or in behalf of a needy aged person, for example, could exceed $50 in 1 month provided the average of all such payments in the State did not exceed $50.

The American Public Welfare Association does not favor the provision of H. R. 6000 which would permit certification of blindness by optometrists as well as opthalmologists for purposes of receiving aid to the blind. It is felt to be important that the cause and prospects for cure in blindness be known to the agency and the individual blind person so that all possibilities for remedying the condition can be explored.

Senator MILLIKIN. May I ask: By that did you mean that any source of information should be available, rather than limiting it to optometrists and ophthalmologists?

Miss DUNN. Well, I think that might be one construction. But primarily we feel we need a specialist dealing with a disability of this kind; that the ophthalmologist's judgment is needed on a case of this kind.

Senator MILLIKIN. Thank you.

Miss DUNN. We are pleased to note the liberalizing provisions in H. R. 6000 with respect to residence requirements for assistance but would like to urge the committee to give favorable consideration to the recommendation of the advisory council that no residence requirements be permitted in federally aided assistance except a maximum 1-year residence requirement in old-age assistance.

We are gratified that the House in H. R. 6000 recognized the need for more adequate protective services for children by increasing the child-welfare authorization to $7,000,000 a. year. Recognizing, however, the great unmet need in this important aspect of public-welfare responsibility we would like to urge a further increase at least to the $12,000,000 initial level requested in the administration bill, H. R. 2892.

Senator MILLIKIN. Miss, Dunn, my own State, I think, is the leader in the amount of old-age assistance that is given to the clients. I note your recommendation about a maximum of 1 year's residence. What are the statistics, if any, on the migration that those high assistance payments cause to the high-assistance-payments States from low-assistance-payments States?

Miss DUNN. I am sorry. I am not able to give them.

Miss Wickenden, do you happen to have them there?

Miss WICKENDEN (Miss Elizabeth Wickenden, Washington representative, American Public Welfare Association). I do not think there are any studies that woud evidence migration for the sake of seeking assistance. Studies that have been made in the past have shown that to be a relatively minor factor in migration. Usually

people won't pick up and move except for very important family and other reasons.

Senator MILLIKIN. May I ask, Mr. Chairman: Is anyone in the room acquainted with any statistics having any substance to them on that problem?

The CHAIRMAN. Mr. Fauri, have you any statistics available on that point?

Mr. FAURI. Yes, but I do not have them here. The statistics show that, contrary to public belief, the largest number of aged individuals as a percentage of total population reside where assistance payments are relatively low. That is in the New England States of New Hampshire and Vermont and in the Midwest, the States of Iowa, Kansas, and Nebraska, where you have more people over 65 residing than in States like California or Colorado, where the old-age-assistance payments are considerably higher.

Senator MILLIKIN. You could still have more aged residing in a place without that necessarily determining the rate of migration into high-payment States. Ultimately you might see a very drastic reduction in the number of those people residing there, through the process of migration.

Mr. FAURI. As to the process up to this point, since the programs began in 1936, you have had relatively high payments in Colorado and California.

But even with the lapse of those years, a high proportion of the aged still reside in the New England States and the other States I mentioned.

Senator MILLIKIN. I think perhaps I ought to put the question to our own director of welfare when he shows up.

Senator KERR. May I put a question, there, Mr. Chairman?

The CHAIRMAN. Yes, Senator Kerr.

Senator KERR. Is the present residence requirement for California and Colorado 5 years?

Mr. FAURI. That is right, Senator Kerr.

Senator KERR. Is it likely that that, in itself, would hold to a minimum the problem of migration that the Senator is talking about? And if so, then would it not be likely that the reduction of the residence requirement to 1 year would greatly encourage the acceleration of the migration? I would like to have the witnesses discuss that question, Mr. Chairman. And I think it is along the line of the questions Senator Millikin asked.

Senator MILLIKIN. That is precisely what I am curious about.

Mr. FAURI. I think that is a possibility. But there has been experience, such as in New York State where the State requires no residence period for old-age assistance. A person can come in and get old-age assistance within 2 or 3 weeks. And New York has paid relatively high payments compared to the States surrounding it. I have seen no evidence showing there has been a migration into New York State for the purpose of getting old-age assistance.

Senator KERR. Do you suppose that that has been used as an inducement to lure an increase in the population, and that it might have failed by reason of other elements that were also present?

Mr. FAURI. That is a possibility.

Senator KERR. Which I am sure the Senator from Colorado would not agree exists in his State or others in that general territory.

Senator MILLIKIN. Oh, people love to come to Colorado, regardless of that reason.

Senator KERR. In other words, you have other inducements than that.

Senator MILLIKIN. We have a magnificent citizenry, a magnificent climate. Oh, well, I had better stop. Miss Dunn is the witness.

Miss DUNN. We are in favor, and therefore do not wish to elaborate upon the other provisions in H. R. 6000 affecting welfare-department responsibilities. I would like, however, to say one word on the matching formula. We in the American Public Welfare Association are committed as a long-time objective to the principle of variable grants with Federal aid related to the fiscal capacity of the States. We do feel, however, that the revised matching formula of H. R. 6000 provides a fair immediate answer to the needs of the lower-income States where present grants are necessarily lower than we like to think is consistent with our cherished American standards. Having only recently left the job of welfare commissioner in one of these States I am very conscious of the need for additional Federal aid; what we might call a modified point 4 program here at home. The needs of all our people are a common national concern and we cannot, in taking on a role of international leadership, forget the problems of the aged and other needy persons in our own less highly industrialized States

I realize that the biggest single problem in the achievement of social security goals is that of cost. This is a problem which necessarily looms large to those who deal with tax legislation and to every individual taxpayer. I think we who advocate more adequate social provisions to assure individual security must face this issue squarely as it is a basic factor in the realization of our objective. It is in part for this reason that we who are administratively concerned primarily with assistance place our first emphasis on the need for a universal, adequate contributory system. We feel that if the Congress will act now to extend this self-financing method of assuring security, a method so clearly in the American tradition of self-reliance, we can definitely look forward to the time when public assistance rolls and public assistance costs will begin to diminish. No one will be happier than we when that time comes.

Senator MILLIKIN. Would you subscribe to the suggestion that if we are to have a sound contributory system the moneys contributed must be set aside in one way or another for the benefit of the system?

Miss DUNN. Well, the money has to be there, Senator. That is right.

Senator MILLIKIN. Is there not more to it than just the money being there? I mean, you put in the money to maintain a system. But if you spend the money for general purposes, then someone has to pay again. It is the taxpayer. And if you have a system of universal coverage everyone will be the taxpayer. In other words, they pay twice.

Miss DUNN. Senator, you have me, at the moment, over my head, if I may say so. Is that as good a way out as any?

The CHAIRMAN. That is the way we get out.

Miss DUNN. Thank you, Senator.

Well, in conclusion, I would only like to say that while we believe what I have said about the insurances, in the meantime, however, we are confronted with an immediate responsibility, an immediate

financing problem, and an immediate demand from people who rightfully feel that, having contributed in their working years to the building up of this country, they are as entitled to security as those who come later. These people, already retired, or disabled, or widowed cannot benefit from any liberalization of the insurance program. It is for them that we ask an adequate program of public assistance. They too are worthy citizens of this democracy and deserve better of us than many of the States are now able to provide.

The CHAIRMAN. Thank you very much, Miss Dunn.

Senator CONNALLY. May I ask one question?

You represent what organization?

Miss DUNN. The American Public Welfare Association.

Senator CONNALLY. They have as members different agencies in each State?

Miss DUNN. That is right. It is an organization of State and local welfare officials in all of the States over the country, and individuals at all levels of government, who are interested in or administering public welfare.

Senator CONNALLY. They are official people, then?

Miss DUNN. They primarily are official people. But we also have an interested number of lay people, board members and people like that.

The CHAIRMAN. Any further questions?

Senator KERR. I did not hear any further discussion of the probability of a change in residence requirements creating a migration problem. That is something that I would like to have an opportunity to be advised about. It would seem to be one of serious import.

The CHAIRMAN. Yes. Mr. Fauri, would you please get all available statistics bearing on that question, whether they sustain or whether they do not sustain any particular conclusion, and let us have them?

Senator MILLIKIN. May I ask Mr. Fauri:

What is the residence requirement in California?

Mr. FAURI. Five years out of the last nine.

Senator MILLIKIN. Do any of the high-paying States have less than 5 years?

Mr. FAURI. Well, I mentioned New York, for example, that has no residence requirement. They make relatively high payments. Rhode Island has no residence requirement, either. We do not have an example of a high-payment State with the wonderful climate that you have in Colorado tied in with it, without a residence requirement.

Senator MILLIKIN. Thank you very much.

The CHAIRMAN. Dr. Ellen Winston?

Senator HOEY. Mr. Chairman, I want to present Dr. Ellen Winston. She is Commissioner of the State Board of Public Welfare for North Carolina and a very able Commissioner. She has rendered very splendid service to the State.

Mr. Chairman, just before the Doctor begins, I have a letter from the Governor of North Carolina, which is just two pages long, giving his views on this measure, and I would like very much to have it inserted in the record.

The CHAIRMAN. You may do so, Senator.

(The letter referred to is as follows:)

STATE OF NORTH CAROLINA,
GOVERNOR'S OFFICE,
Raleigh, January 20, 1950.

Senator CLYDE R. HOEY,
Senate Office Building,
Washington, D. C.

DEAR SENATOR HOEY: North Carolina, as you know, is greatly interested in H. R. 6000 now before the Senate Finance Committee because of the need for expanded welfare services to the citizens of the State. The 1949 general assembly, with my full support, made increased efforts to help finance the public-welfare program through much larger State appropriations than in the past, but we are still unable to meet many pressing needs.

We are particularly concerned over the sharply rising case loads in aid to the aged and aid to dependent children due to the fact that farmers and farm workers are not covered by old-age and survivors insurance. We realize that the net result is a much heavier financial burden proportionately for this State in terms of helping pay the cost of public assistance than is borne by the industrial States where the great bulk of older workers and surviving children are taken care of through insurance. We are hopeful that the Senate Finance Committee will expand the coverage of old-age and survivors insurance to include agricultural groups.

At this time, I am also particularly concerned over the fact that the Federal Government does not participate in the cost of care of needy persons who do not fall into one of the categories of aged, blind, or dependent children. The bill now before the Senate Finance Committee provides for only a limited additional group, namely the totally and permanently disabled. The 1949 General Assembly went on record with regard to the State's responsibility in this area by enacting a general-assistance statute and setting up State funds to be matched by Federal funds to take care of this group. Unless effective action is taken to modify H. R. 6000 in the Senate, we shall still have many economically unfortunate people who are entirely dependent upon the limited amount of assistance their individual counties can provide. This seems to me to be one of the most important next steps in the program for State and Federal participation in welfare activities.

I am greatly pleased over the new matching formula contained in H. R. 6000, which I believe is known as the Mills formula. While not a variable grant formula in the strict sense, it will mean much needed additional money for this State and appears to be a sound approach to helping the low-income States care for their needy citizens.

I would like further to call your attention to the need for additional Federal funds for child-welfare services. In this State, I am informed, we now have counties spending at the rate of about twice our annual appropriation under the present provision for Federal funds for child welfare. In order to carry forward this important aspect of the child-welfare program, we urge careful consideration of not only doubling the present allocation for this work as provided for in H. R. 6000, but increasing that amount substantially. Certainly, we would all agree that more attention should be directed toward preventive and protective services for our boys and girls.

I greatly appreciate your own interest in an expanded social-insurance and public-welfare program designed to meet more effectively the needs of this State. Please enter this expression of my deep concern for an expansion of our social-security provisions in the official hearing record of the Senate Finance Committee.

Sincerely,

W. KERR SCOTT

Senator CONNALLY. Your name is Winston, and you are from North Carolina? What kin are you to George T. Winston?

STATEMENT OF ELLEN WINSTON, COMMISSIONER, NORTH CAROLINA STATE BOARD OF PUBLIC WELFARE

Dr. WINSTON. I am sorry, but I am not related to him. It is a very good name in North Carolina, though, no matter how you get it.

Senator CONNALLY. He used to be president of Texas University when I was a student there.

Senator HOEY. He was president of our university and then president of Texas University and then president of the A. and M. College of North Carolina. He died only recently.

Senator CONNALLY. We had a run-in with him; not serious. We wanted to celebrate the 2d day of March, which is Texas Independence Day. Dr. Winston said, "No, you cannot have a holiday today." We told him what it was. He said, "Oh, the Fourth of July is our national holiday. You do not have any Texas independence." So we said "All right, Doctor."

We had some old brass cannon down on the capitol grounds, and we sent a committee down, the night before, to bring up the cannon, and they brought the cannon up to the university and hid it down behind the powerhouse, and when the classes met for law, the law students all failed to attend. Our "academics" all went to class.

So we rolled the old cannon down on to the football field and promptly opened up a bombardment of blanks on the university, and that broke up all the classes. They all rushed to the windows, and so on.

So he surrendered at noon. He sent out a flag of truce. He said, "Come on back up here this afternoon. We will have a half holiday."

So that was the founding in Texas University of the observance of Texas Independence Day on the 2d day of March. It is the big day of the university life, there. And we established it in protest to the action of Dr. Winston.

We did not take him seriously, though. He had only been out of North Carolina a little while and had not learned the ways of Texans; he only knew the Tarheel ways.

Senator HOEY. We were still sticking to the Fourth of July.

Senator CONNALLY. Pardon me for this interruption. I thought it was a good place to make a record of this.

Senator MILLIKIN. Do you charge a hundred dollars for those dinners, Senator?

Senator CONNALLY. No; not for the 2d day of March dinners. And I see where you are charging a dollar, which I think is too much.

Senator MILLIKIN. That is democratic.

Dr. WINSTON. Mr. Chairman, I appreciate the opportunity of presenting the public-welfare needs of North Carolina with particular emphasis upon major lacks in the present program and upon how the provisions of H. R. 6000 may be expected to affect the situation.

That North Carolina is a progressive but relatively poor State is well known. In spite of substantial increases in recent years the 1948 per capita income payment for the State was $930 in comparison with a per capita income payment of $1,410 for the Nation as a whole. This means that we ranked forty-third among the 48 States.

There are many reasons for this, not the least of which is the high birth rate, resulting in approximately 40 percent of the population of the State July 1, 1948, being under 18 years of age in comparison with approximately 30 percent for the United States as a whole.

In spite of the disproportionate burden upon the population of working age which results from the large number of children, tremendous effort is being made by the State to provide services commensurate with current needs. On both sales and income taxes, which provide the bulk of the State's general-fund revenue, the rates are among the highest in the country. State appropriations for 1949-50 provide that

86.6 percent of the total general fund shall be spent for health, education, and welfare. Even so, not one of these areas of public service is being financed at an adequate minimum level, according to the standards which any of us would accept.

We also know that in the per capita general revenue we have indication of the effort being made by the State. In 1948, the per capita general revenue for the United States was $70.33. North Carolina had $69.09. In other words, we ranked twenty-ninth on this factor and were receiving less than the average State in terms of Federal aid. So, the effort is being made. The problem is the economic base.

The State has made steady progress in its efforts to provide more adequately for its needy people. The State appropriation for old-age assistance for 1949–50 represents slightly more than a 100-percent increase over the appropriation for 1944–45. The State appropriation for aid to dependent children for 1949–50 is almost three times the appropriation for 1944–45. Because we have a program in which we believe that the county should participate in the financial cost, the figures for the counties are also important, and the 100 counties of the State have made comparable increases in appropriations for these two purposes. Even so, under the present Federal matching formulas, these increases make possible an average grant for January 1950, the present month, of only $22 per needy person 65 years of age and over and $43 per family of three children.

Senator KERR. Is that the total, including both the State and the Federal amounts?

Dr. WINSTON. That includes State, Federal, and county.

Senator MILLIKIN. Do your counties have independent powers of taxation for these purposes?

Dr. WINSTON. Yes. Our statute provides that the counties will pay, roughly, half of the part not paid by the Federal Government. And there is a mandatory feature in our statute that the counties must levy for those purposes.

Senator MILLIKIN. I see.

Dr. WINSTON. On the other hand, when it is a very poor county, and the tax levy has to go very high, we have an equalization feature.

Senator HOEY. There is another thing that applies to that in our State. The counties, of course, pass upon the eligibility of all the applicants, and since they have paid a substantial part they are very careful about screening the list so that we do not have anybody getting on unless he is entitled to it. And the rate is not as high as many of us feel it ought to be, because they are very familiar with the individuals concerned from their screening of the list, and also they have their opinion as to the amount, since they have scrutinized the papers.

The CHAIRMAN. You may proceed, Doctor.

Dr. WINSTON. In view of steadily rising case loads, some counties are already reducing these substandard average grants. Since the State appropriation is the same for 1950–51 as for this year, the situation is critical. In other words, our general assembly appropriates for a biennium, and we have the same amount of money for next year as we have for this year. It is impossible to even approach the grants which the Congress has anticipated in providing for matching Federal funds up to a maximum of $50 per aged person and $63 for three children.

A partial approach to this situation of hungry children and needy aged in North Carolina, and to a comparable extent in other low-income States, appears to be variable grants on a formula basis, such as that included in H. R. 6000, which will take into account more than the present law does the differences in the fiscal ability of the States. We cannot anticipate sufficient State and county appropriations to pay 50 percent of the cost of raising grants from the present inadequate State levels to minimum subsistence needs. The matching provisions in H. R. 6000——

Senator CONNALLY. Just a minute. May I ask you a question, right there? You speak of "inadequate State levels," being raised "to minimum subsistence needs." Now, there is a great variance—is there not?—in the amount that is necessary to relieve certain cases. In other words, they have some little other income than what they get from the Government. Maybe they own a little home or a little farm, and they do not have to pay any rent. That is all taken into account, I suppose, under the screening system, and so on. Is that right?

Dr. WINSTON. Yes. We have very careful State-wide regulations on this, in which we take into account all resources.

Senator CONNALLY. I see. All right.

Senator KERR. And the amount of money they receive is reduced accordingly; is it not?

Dr. WINSTON. The amount of money is reduced accordingly. We set up a minimum budget. Then we take from that minimum budget resources in either cash or kind, and we are meeting only a percentage of the minimum budget of the deficit.

The matching provisions in H. R. 6000, together with inclusion of the responsible relative in aid-to-dependent-children families, would make possible an increase in average monthly grants from the current $22 for aid to the aged to $27.

Senator MILLIKIN. May I interrupt for just a moment?

Mr. Chairman, may I ask Mr. Cohen whether his agency has any statistics, not as to per capita income but as to the percentage of State revenues which are used for these purposes?

Mr. COHEN. Yes, sir.

Senator MILLIKIN. May I ask, Mr. Chairman, that they be put into the record?

The CHAIRMAN. At this point?

Senator MILLIKIN. I think it would be appropriate.

Mr. COHEN. We can supply them, Senator.

The CHAIRMAN. Will you supply them for the record, then, at this point?

(The material referred to is as follows:)

Table 1 relates expenditures from State funds to State tax collections. For 20 States where State funds represent 90 percent or more of non-Federal expenditures, these data give a moderately accurate picture of the percent of available revenues drawn for public assistance. For the other States, only a partial picture is presented, in that no measure is given of what portion of local resources is used for public assistance.

In all but four States, the localities contribute some money to the assistance programs. Public assistance expenditures, therefore, should be related to both State and local tax collections to compare among the States the percent of revenues used for assistance expenditures. No recent data are available, however, on local revenues; the latest information being for 1942, from a decennial study of local government finances made by the Census Bureau.

TABLE 1.—*Expenditures from State funds for old-age assistance, aid to dependent children, aid to the blind, and general assistance, as a percent of State tax collections, fiscal year 1949*

State	State funds as a percent of—	
	State tax collections [1]	Non-Federal assistance expenditures
Total	[2] 11.8	82.1
States in which State funds were 90 percent or more of non-Federal expenditures		
Arizona	[2] 11.4	100.0
Arkansas	0.8	100.0
Pennsylvania	10.2	100.0
Utah	10.0	100.0
Louisiana	18.0	99.9
Missouri	22.6	99.8
New Mexico	[2] 8.5	99.6
Oklahoma	23.2	98.8
South Carolina	6.1	98.4
Mississippi	4.3	98.3
Texas	11.2	97.5
Washington	23.4	96.7
Ohio	13.1	95.3
Florida	11.2	94.8
Idaho	13.6	93.2
Illinois	15.9	91.9
South Dakota	8.0	91.7
Kentucky	6.1	91.6
Colorado	33.5	91.3
States in which State funds were less than 90 percent of non-Federal expenditures		
Rhode Island	14.1	89.4
Nebraska	15.2	89.0
West Virginia	3.8	89.0
Iowa	9.3	84.3
Michigan	11.2	81.8
Tennessee	5.5	77.6
Georgia	6.1	76.9
California	14.0	75.5
Connecticut	8.3	74.6
Vermont	6.5	73.8
Maine	9.8	73.0
New York	13.6	72.7
Wyoming	8.6	70.9
Oregon	9.1	70.0
North Dakota	7.0	67.2
Maryland	4.0	66.6
Delaware	3.1	61.2
Virginia	1.6	61.1
Montana	[2] 10.2	60.7
Kansas	8.4	59.2
Massachusetts	14.6	57.4
Wisconsin	8.4	56.0
New Jersey	8.2	54.8
Minnesota	6.7	53.1
Indiana	[2] 3.0	50.4
Alabama	3.8	49.8
North Carolina	1.4	49.3
New Hampshire	7.7	49.3
Nevada	3.8	42.9

[1] Excluding unemployment compensation tax.
[2] Data on State tax collections not available for all States for 1949; 1948 tax collection figures used for Arizona, Indiana, Montana, and New Mexico.

Source: State, and non-Federal share of public assistance expenditures for assistance payments: Table 2 of "Source of funds expended for public assistance payments, fiscal year ended June 30, 1949," released by Federal Security Agency. State tax collections: Column 7 of table 3 of "State tax collections in 1949," published by Bureau of the Census.

TABLE 2.—*Public assistance:*[1] *Assistance payments from State and local funds, fiscal year ended June 30, 1949, as a percent of income payments, 1948*

State	Percent	State	Percent
Total	0.51	Montana	0.42
		Nebraska	.40
Alabama	.32	Nevada	.29
Arizona	.68	New Hampshire	.47
Arkansas	.53	New Jersey	.19
California	.81	New Mexico	.80
Colorado	1.82	New York	.51
Connecticut	.31	North Carolina	.17
Delaware	.15	North Dakota	.43
District of Columbia	.12	Ohio	.41
Florida	.88	Oklahoma	1.43
Georgia	.28	Oregon	.60
Idaho	.60	Pennsylvania	.47
Illinois	.43	Rhode Island	.54
Indiana	.23	South Carolina	.28
Iowa	.40	South Dakota	.28
Kansas	.57	Tennessee	.33
Kentucky	.20	Texas	.41
Louisiana	1.54	Utah	.83
Maine	.49	Vermont	.36
Maryland	.33	Virginia	.11
Massachusetts	.81	Washington	1.33
Michigan	.36	West Virginia	.20
Minnesota	.82	Wisconsin	.38
Mississippi	.24	Wyoming	.45
Missouri	.60		

[1] Old-age assistance, aid to dependent children, aid to the blind, and general assistance.

Source: Federal Security Agency, Social Security Administration, Bureau of Public Assistance, Division of Statistics and Analysis, Nov. 3, 1949.

Dr. WINSTON. May I comment on that question for a minute, Senator?

The CHAIRMAN. Yes.

Dr. WINSTON. We feel, in our State, that it is very important that the State's effort as to the three areas of health, education, and welfare be taken into consideration. We are one of the two States that have a State-supported system of basic public education; and, therefore, it affects the total allocation of our general-fund revenues substantially.

Senator MILLIKIN. Thank you very much.

Dr. WINSTON. Going back: If we follow the matching provisions of H. R. 6000, we would be able, in terms of the present State appropriation, to increase the current grant of $43 per month for a mother and three children to $64 per month, or $16 per person.

Senator KERR. You do not mean $16 a person for a mother and three children; do you?

Dr. WINSTON. Yes.

Senator KERR. You do not use that as the amount that the present grant would be increased?

Dr. WINSTON. We would be able to increase the present grant of $43 per month for a mother and three children, taking into account Federal, State, and local funds, to an average of $64 for the family group.

Going back to your question about resources and minimum needs, actually we would need an average grant of about $55 to meet minimum need over and above what the family has itself.

Senator KERR. What you are saying is that the provisions of H. R. 6000 would increase the Federal grants of North Carolina by an amount that would permit you to give the old people an increase of

$5 a month each and the family of a mother and three children an increase of $21 a month, all of which would be Federal funds, in accordance with the provisions of H. R. 6000?

Dr. WINSTON. That is right.

Thus, even with increased Federal matching, the State must obviously continue to increase its appropriation from biennium to biennium if we are to continue to attain average grants.

The State has long accepted the principle of equalization. We know that aged persons and children can be just as much in need in one of the poorer counties as in one of the more well-to-do counties of the State, and hence a larger proportionate share of the State appropriation is allocated to the poorer counties. We have a definite provision in our statutes for that. We are convinced that the well-being of the State as a whole and the rights of our citizens wherever they may live demand an equalization procedure. And we consider this imperative not only in public welfare but in other types of State services.

We likewise believe that equalization of opportunity to have minimum subsistence needs met should be a primary concern of this Congress in revising social-security legislation. Are we to take the position that because a child happens to be born in a high-income State he shall have his basic needs met in full, while a child who happens to be born in a low-income State must grow up as best he can, with inadequate food, clothing, shelter, and medical care? It is well to remember also that many of these underprivileged and undernourished children will eventually migrate to large urban centers. For example, in spite of a high birth rate, the population of North Carolina increased only about half as much proportionately as the population of the entire country from 1946 to 1948. We export young people to urban centers. Hence, it becomes a matter of enlightened self-interest, as well as the essence of democracy, for the high-income States to join with the low-income States in the support of the variable-grant principle for assistance programs.

Actually, even though we recognize the fact that we are a low-income State, we are paying the costs of the rearing of children to migrate to other States, where they will make their contributions as working citizens. At the same time, the quality of the young people that we send to these other States is affected by the opportunities they have as children.

It is unrealistic, however, to look only to increased aid to the aged and to dependent children through the variable-grant principle to solve the problem of minimum security. We must also consider expansion of old-age and survivors insurance. We are greatly disturbed, as public welfare administrators, by the marked increase in receipients of aid to the aged in North Carolina, from 45,000 in August 1945 to 58,800 in January 1950.

Senator KERR. Is that 1945 or 1948?

Dr. WINSTON. That is 1948.

We have had an increase of 5,000 in the last 6 months.

Senator MILLIKIN. Does that arise from need, or from a liberalization of your policies?

Dr. WINSTON. No; actually our policies have been slightly tightened during this perod. It is a matter of need. In our counties they tell us that almost anyone who comes in to apply for aid to the aged is

eligible under any decent standard, because of the low earnings which they have had during their working periods and the inability to lay anything aside for their old age.

Senator MILLIKIN. How do you account for that dramatic increase in the number in this period of a year, this increase of 13,000 in 1 year?

Dr. WINSTON. Well, the 1949 general assembly increased our State appropriation substantially, effective July 1, 1949. The counties matched that increase. Then, of course, we had the Federal matching. So, it did mean that people for whom we had had no funds available could be taken on, then, during the first 6 months of the new fiscal year.

Now, we are very careful about this business of waiting lists, but we had known for the last several months of the old fiscal year that, as of July 1, these people could be accepted.

Senator HOEY. Doctor, there was also a large waiting list in practically every county; was there not?

Dr. WINSTON. Yes.

Senator HOEY. So, the waiting list that came in was taken care of under the increased appropriation, and that accounts for the increased number. Of course, there would probably have been an increase anyway.

Dr. WINSTON. Of course, we have the fact that we have always been a young State in terms of population, too. We are beginning to feel the impact of a sharply rising proportion of aged people. In 1940, we had only 154,000 people 65 years of age and over, and by 1949 we had 193,000. You see, that is almost a 33⅓ percent increase in our aged population.

Senator MILLIKIN. Does the waiting list represent a difference in standards? Or does it represent a list of people who are equally entitled to assistance as those who are receiving it?

Dr. WINSTON. They are equally entitled to it. We use the same basis.

Senator MILLIKIN. Then how do you discriminate against those in the waiting list on the theory of equality of need? Why did you not jackpot the whole thing and spread it among those who had equal claim on need?

Dr. WINSTON. I think actually we are tending, here, to overemphasize a little the weight of a waiting period. You ordinarily will have a period of several months in which you make adjustments. Now, if we had not had the increased appropriations immediately available as of July 1, we would have reduced the payments to spread. Because we are committed to the principle of equalization of the funds available to help take care of all people in like circumstances.

Senator MILLIKIN. I am still somewhat mystified as to why that enormous additional number of clients should get on your rolls. Take the old rate prior to the action of your general assembly. If a person is in desperate need, a smaller amount now may be more important to him than a larger amount later on.

Dr. WINSTON. Well, actually, if you will go back and compare the figures, here, 45,000 in August 1948 to 58,800 in January 1950, you will find that over a 2-year period we were having a very substantial upward trend. We had the same thing with regard to aid to dependent children.

Now, as you take it over a long time period, you get a good many factors coming in.

We were a State, for example, in which the number of persons receiving assistance in both categories declined sharply during the war years, because we had many allotments coming in to the families. Well, now, we had a period, even after the war ended, before we reabsorbed those people.

Senator MILLIKIN. I see.

Dr. WINSTON. You have fluctuations in the labor market, also.

Senator MILLIKIN. I was just wondering what was the increase in need that brought so many needy persons to the rolls.

Dr. WINSTON. Another factor, we believe, was the increase in the cost of living. Because people who could get along before, or who could take care of an aged relative, could no longer do so.

Senator MILLIKIN. I think you have offered several explanations. Thank you.

Dr. WINSTON. During this same period, from August 1948 to January 1950, the number of aid-to-dependent-children families rose from 9,500 to 14,000, for substantially the same reasons that have been brought out in the discussion here. Farm leaders within the State are increasingly seeing the problems created by lack of coverage of agricultural workers by the old-age and survivors' insurance program. The large public assistance loads in rural States as compared with highly industrialized States is a matter of record. And, or course, our farmers are helping pay for old-age and survivors' insurance in the costs of the things they buy. At the same time, they are heavily taxed in our own State for the public assistance program.

Senator MILLIKIN. May I ask you this: Are the farm hands in your State in-and-out workers? Do they work for a series of employers during the year? Or do they stay put pretty well?

Dr. WINSTON. The bulk of our farm labor, meaning our nonowners, stay fairly well put for the entire agricultural year. In tobacco and cotton we have a system of tenancy, whereby the families come on at the beginning of the crop year and remain throughout the year.

Senator MILLIKIN. I see.

Dr. WINSTON. The Burden of helping care for a growing number of needy persons is becoming a more and more acute problem for agricultural States. It is the expectation of public welfare administrators that we can look forward over a period of years to a substantial reduction in the public assistance load as a result of expansion of old-age and survivors insurance coverage to include farmers, farm workers, and part-time domestics, and of increased benefits under the old-age and survivors insurance program.

Senator TAFT. It would be many, many years, though, would it not?

Dr. WINSTON. It will take a long time. But in our State we now have two and a half times as many people receiving aid to the aged as we have receiving old-age benefits under the insurance program.

Senator TAFT. That only proves how long it would take. That only proves that this has been enforced after—how long?—15 years, and still the old-age insurance program does not cover very many people.

Dr. WINSTON. That is right. It takes time. We tried to develop an estimate for this committee as to what it might have meant in our State, and in terms of our present loads, if we had had original cover-

age of these groups. We feel that 60 percent is a very conservative estimate in terms of what we know about the character of our present old-age assistance load.

We are particularly emphasizing extension of old age and survivors insurance, because we do see it over a long time period as the important preventive program for taking care of aged people and ultimately reducing sharply our loads under public assistance.

Senator MILLIKIN. In your State, do the farm owners wish to be included in the system?

Dr. WINSTON. We have been working quite closely during the last couple of years with the leaders in our State Grange and in the Farm Bureau. And there was some support for expanded coverage given from both of those groups when H. R. 6000 was being developed in the House.

Senator MILLIKIN. I am referring now not to coverage to the worker but to the proprietor.

Dr. WINSTON. I can speak with assurance for the leadership in the State and their knowledge and their mutual concern with ourselves about this growing problem of aid to the aged.

Senator TAFT. May I ask right there, if this increasing old age and assistance load has reduced in any way the amount of money spent in North Carolina on old people's homes and county homes and institutions for the chronic sick? Or has that increased also?

Dr. WINSTON. No. We belong to the group of States which at one time had a county home in every county. We have reduced our 100 county homes to 55. There has not been a comparable reduction in the number of people cared for in those homes, because it was a small, inefficient, uneconomical home, giving a substandard level of care, ordinarily, which was closed.

Along with the trend toward nursing home care in the county institutions, we have had a development of licensed boarding homes for the aged and infirm, where we have available facilities for a more suitable and satisfactory type of care for many people.

Senator TAFT. There are now more people receiving that care in institutions than there were at the time the act went into effect?

Dr. WINSTON. No. There are fewer people in institutions. I cannot break that down for you without checking on it by age groups, because we had many people in the county institutions who, of course, were not eligible for aid to the aged, nor for aid to dependent children. A large proportion were in the in-between group.

Senator TAFT. Could you get those? Could you get us statistics as to the comparative number of people who are of an age over 65 and in institutions, and so on, since it was started?

Dr. WINSTON. Yes.

Senator MILLIKIN. I might suggest, since Mr. Cohen is here from the Social Security Administration, that we should have some national statistics on the subject, if they have them.

Senator TAFT. I think we should have. It has been rather difficult to get them.

The CHAIRMAN. Would you supply those, Mr. Cohen?

Mr. COHEN. I do not know how recent they are, Senator, but I will see that the most recent statistics are put in the record.

(The material referred to is as follows:)

Persons 65 Years of Age or Over Living in Institutions

Table 1 shows the number of persons 65 years of age and over who were living in homes for the aged, infirm, or needy in 1940. This information, which was compiled by the Bureau of the Census, relates to persons in both public and private institutions. No more recent information is available by State. It is anticipated that considerably more detail concerning aged persons living in institutions will be available from the 1950 census.

It has been estimated that possibly 50,000 of the 125,630 aged persons in homes for the aged, infirm, or needy were living in institutions (other than mental hospitals, tuberculosis sanitaria, or correctional institutions) under public auspices. These public institutions were predominantly county almshouses or infirmaries. Scattered evidence indicates that the number of almhousess and the almshouse population are both declining and that county nursing homes under public auspices are on the increase. In Alabama there were 63 almshouses in 1935 when the Social Security Act was enacted. By 1947 the number was only three. In North Carolina the almshouse population in 1936 was 3,117 and had decreased to 1,995 in June 1948.

The concern of the States is not only in eliminating almshouses, but of establishing homes that can provide suitable care for infirm and chronically ill persons. In some places county homes have been converted to up-to-date, well-equipped nursing homes. In Illinois, for example, at least 14 county homes have been converted to homes for the chronically ill under State standards for such institutions. A number of other States are developing similar nursing homes.

There are at least seven States in which recipients of public assistance may live in public institutions, although there is no Federal participation in their assistance. Most of these States have established or are engaged in developing standards for these institutions.

Table 1.—*Persons 65 years of age and over in homes for the aged, infirm, or needy, 1940* [1]

United States	125,630	Montana	282
		Nebraska	1,124
Alabama	465	Nevada	31
Arizona	246	New Hampshire	1,209
Arkansas	361	New Jersey	4,351
California	7,066	New Mexico	11
Colorado	833	New York	22,217
Connecticut	2,314	North Carolina	1,195
Delaware	556	North Dakota	479
District of Columbia	1,154	Ohio	8,384
Florida	1,259	Oklahoma	368
Georgia	816	Oregon	1,133
Idaho	241	Pennsylvania	13,199
Illinois	8,283	Rhode Island	861
Indiana	4,335	South Carolina	456
Iowa	2,808	South Dakota	386
Kansas	1,791	Tennessee	1,439
Kentucky	1,866	Texas	1,369
Louisiana	897	Utah	184
Maine	997	Vermont	338
Maryland	2,533	Virginia	1,592
Massachusetts	6,191	Washington	2,207
Michigan	4,275	West Virginia	779
Minnesota	3,399	Wisconsin	3,757
Mississippi	647	Wyoming	37
Missouri	4,909		

[1] Special report on institutional population 1940, table 12, Bureau of the Census.

Senator Millikin. May I ask you this: Do the counties provide all the money for your county homes?

Dr. Winston. Yes.

Senator Millikin. Does either the inmate or the institution benefit from your general State-wide program?

Dr. WINSTON. No. The county institutions are supported entirely by county funds. There has been a tendency for counties to increase their appropriations for these county institutions, as they try to bring them up to more acceptable standards.

Senator MILLIKIN. Does the person who lives in one of those institutions receive any old-age assistance under your general old-age-assistance program?

Dr. WINSTON. No. Because under the statute, when you live in a public institution you are not eligible.

Senator TAFT. What happens to a party when you are giving up a home? Are those people taken care of in some adjoining county, or does the State pay no attention to that?

Dr. WINSTON. We are only interested in improved methods of care for them. In some instances the county will board, as you have suggested, the people who need this type of care in county homes in other counties. In other instances, it is possible to take care of them under some other program, when they live either in their own homes or in boarding homes.

Senator TAFT. I see. Thank you.

Senator MILLIKIN. The basic sociological problem there is whether living in a county home comports with proper human dignity, is it not?

Dr. WINSTON. Yes. Whether or not we are best providing for the needs of individuals.

Senator MILLIKIN. I am not thinking in a material sense. I am thinking of it in a morale sense, and a moral sense, and a broad sociological sense. I think that the old fashioned poorhouse was an offense to many, many people, and it is still an offense to me. Therefore, I am wondering whether the basic question is whether the county poorhouse of the old type is consistent with, perhaps, our more modern views about the proper dignity of the human being.

Dr. WINSTON. We would like very much to have the privilege of sending you a study we made in one county, where we closed the county home, and what happened to the people. At the same time we found that some of them no longer needed public support. We turned up relatives and found other situations in which they could live, so that it was economically as well as socially advantageous. I will send it to you.

Senator MILLIKIN. Do relatives in North Carolina show much interest in taking care of relatives?

Dr. WINSTON. Many relatives do. I suspect they are very much like relatives everywhere. Some do, and some do not.

The CHAIRMAN. All right, Doctor. You may proceed.

Dr. WINSTON. While expanded coverage and more liberal eligibility provisions under OASI and the matching formula for public-assistance categories included in H. R. 6000 will materially aid in meeting the needs of the aged and dependent children, we will still be faced daily with the problem of children without adequate food, clothing, and shelter who are ineligible for either survivors' benefits or an aid-to-dependent-children grant. A liberalized definition for eligibility for ADC would make possible the same help for large numbers of needy children now ineligible that is made available to thousands of children otherwise in similar circumstances.

Senator KERR. Would you illustrate that, please?

Dr. WINSTON. Yes. We will have two families living side by side, each with several children. In the one household the father is no longer in the home. He may have died. He may have deserted. And our efforts to find him and secure support have been unavailing. Those children will be eligible for aid-to-dependent children. In the house next door—and they are paying about the same amount of rent and food costs, and so on—the father is in the home, but he is, through no fault of his own, temporarily laid off from his job. They do not have any source of income coming in, for a great variety of economic reasons over which the family and the father have no control. And yet those children will be ineligible.

Senator KERR. Would your liberalization make it automatic to cover all children?

Dr. WINSTON. I would never make any program, which is based upon need, automatic. What I am suggesting is that we broaden the definition of aid-to-dependent-children in such a way as the House Ways and Means Committee considered so that when we have hungry children we will not be prevented from meeting their needs because of some restrictive regulation.

Senator KERR. It is not a matter of restrictive regulation——

Dr. WINSTON. It goes back to the law.

Senator KERR. If the parents are both present, would you say?

Dr. WINSTON. Well, at the present time, even though those children with both parents present are not having their minimum needs met, we cannot place an aid-to-dependent-children grant in the family.

Senator KERR. How would you liberalize it so that you could, and include only the worthy?

Dr. WINSTON. It is very difficult to define only the worthy, when the needs of children are at stake. Now, I agree with the point you were getting at.

Senator KERR. I believe that was the objective you described. I was not trying to define an objective that I had in mind. I was trying to get a definition for what I understood to be an objective you had in mind.

Dr. WINSTON. I do not claim that we have all the administrative answers, but we would like to try to have this program under a broadened Federal statute to develop regulations so that the needs of children would be our primary approach.

Senator MILLIKIN. Had you finished, Senator?

What part of that load is carried by lodges, churches, and service clubs?

Dr. WINSTON. Our experience is this with regard to lodges, service clubs, and other organizations of that type, of which we have many in our State, and which contribute liberally to welfare programs; that they will take one particular type of program and give a special support to it. It may have something to do with a physical handicap of children, and they will give very great support in their community. Again we will have a particular child whose special needs become known in the community. People's hearts open up to that kind of thing, and we get support.

But when it comes to the everyday basic needs of children for food, clothing, and shelter, you do not get it, and you cannot look to the private group to provide support.

Senator MILLIKIN. Has any effort been made to coordinate the efforts of organizations of that kind, so that they might get out of that single-shot category?

Dr. WINSTON. In 1949 I asked the General Assembly of North Carolina to give us the money to employ a person on our staff who would do just that thing. Because we think it tremendously important that there be this coordination and integration of activity, so that whether the funds will be public or private we get the most in terms of helping take care of people with particular needs.

I am going back to do a little more educating on that point, because it is an area in which we need to look at the total problem.

Senator MILLIKIN. Thank you very much.

The CHAIRMAN. All right, Doctor.

Dr. WINSTON. We also want to stress the importance of Federal assumption of a share of responsibility for all needy persons; not just for the three categories of aged, blind, and dependent children. North Carolina is one of the few States which has traditionally left the entire burden of caring for needy persons not covered by the three public assistance categories to the counties. The 1949 general assembly took account of this and enacted a comprehensive general assistance law. It also set up a new special appropriation of $350,000 annually to match any Federal funds which may become available for general assistance.

H. R. 6000 has recognized another group of needy persons in providing for a fourth category, namely, the permanent and totally disabled. It is too limited at present, however, to meet the problems which exist, and at the same time would be exceedingly difficult to define for proper administration.

I talked on Saturday with a physician who handles many of our welfare cases and asked him if he would be able to define for us the permanently and totally disabled. And he indicated that it is almost impossible from a medical point of view to make such a sweeping definition.

We hope, therefore, that Senate revisions will provide for aid to the disabled in such a way that we can use this category for periods of temporary need, in order that individuals and families may become self-supporting or return to self-support.

Senator KERR. In other words, you think the emphasis should be on the totally and not on the permanently disabled?

Dr. WINSTON. I would hope that it would be on neither, but the emphasis would be on the disabled. Because total disability is very difficult to define.

Senator KERR. And it is just as effective for the time of its duration as though it were permanent?

Dr. WINSTON. Right. And if you can go in with some help at that point, you may put the person back on his feet.

If you let it continue until there is no question about its being total and permanent, you have to take care of that person the rest of his life.

Senator MILLIKIN. The experience, I believe, of private companies that have dealt with that subject has been very discouraging, because of the difficulties of accurate diagnosis, and because of the large field which is open for malingering and for phony claims. Obviously any assistance of that kind would have to be carefully circumscribed.

How could you carefully circumscribe it if at the same time you removed your limitations?

Dr. WINSTON. Well, we would set up other regulations. But it would mean that we could adapt them to the situation. And we already have a group of these people now receiving general assistance to give us the key to the problem. We have brought you some data with regard to that, because we took recently all of our general assistance load and analyzed that group. We found that 70 percent of all recipients of general assistance from county funds are unable to work, 30 percent are able to do some work but are only marginally employable, one-third requires physical care, two out of three recipients are 45 years of age or over, two-thirds are women. Major causes of need are illness or disablement or loss of the breadwinner. Yet as we have looked at that group, all of whom we would agree are needy people, they are getting help now, and we probably could not certify more than 25 percent under total and permanent disability.

Federal participation in aid to all needy persons will fill in the tremendous gaps in the present public assistance program. It will make it possible for us to give temporary aid, for us to stress the preventive and rehabilitative aspect of the program, and furthermore would mean that we treat all needy people alike. It is very difficult for us to justify the fact that we can come in and help a person at 65, when that person may have been just as much in need at 63 but the present programs do not cover him.

Senator MILLIKIN. What is the utility of combining the word "permanently" with "totally"? A question which Senator Kerr asked raised that in my mind. I mean, if a man is totally disabled and is needy, is not the need just as great from day to day as long as that total disability exists as though he were diagnosed in advance as a permanent disability case?

Dr. WINSTON. Yes. I think you are saying that you may have a person who is totally disabled today, but if you can give some help that person may be able later on——

Senator MILLIKIN. If he is totally disabled today and is needy, does not the need require satisfaction, whether it be for a week or month or for the rest of his life? What, then, is the need for the word "permanently"? I notice those two words are always combined.

Dr. WINSTON. I think that question will have to be referred to whoever drafted the bill. Administratively it is very difficult.

Senator KERR. I believe the Senator has in mind some information that I am interested in also, and others are, and I think he was asking you if the purport of your statement is not favorable to a modification of that language so as to make one eligible for the assistance if either totally or nearly totally disabled, although it may be something in which either the care or nature itself might bring about an improvement, whereby the person would be removed from the category of the permanently or totally disabled.

Dr. WINSTON. I think that is a very fair statement. Thank you.

The CHAIRMAN. All right, Doctor.

Dr. WINSTON. The data cited also reflect the need for medical care. The higher and higher costs of medical care and hospitalization are not only bringing people with otherwise adequate incomes into the classification of medically indigent; they are also far outdistancing the ability of local governmental units to provide needed care. Many

of our counties have already exhausted their funds for medical care and hospitalization for the entire fiscal year in the first half of the year. Just last week we had a great deal of attention in the newspaper given to a child who was desperately in need of medical care. That particular county, which is fairly liberal in its appropriations, had already used up its appropriation for the year. Now, that is happening; although taking the State as a whole, counties have doubled their appropriations for medical care and hospitalization during the last 6 or 7 years. At the same time, though, costs have doubled, and they cannot meet it. Thus poverty prevents needed medical care, and lack of medical care promotes poverty, in the long recognized vicious circle. In a far-reaching forward step, H. R. 6000 takes account of this by making a special provision for medical care of the needy.

Senator TAFT. That does not take care of the medical needs of all the needy, does it?

Dr. WINSTON. No.

Senator TAFT. Only the people already covered by the Federal program?

Dr. WINSTON. Correct.

Senator KERR. Whether aged, dependent children, or blind.

Dr. WINSTON. However, the method of financing provided would be administratively difficult. And I would like to remind you that in our State, where we have local administration, we have 100 administrations of public assistance. Our recommendation, therefore, is that the recommendation of the Advisory Council on Social Security to this committee that financial aid for medical assistance outside the ceilings on payments under the $6 per adult and $3 per child formula would be more effective in meeting the need and more efficient from the point of view of administration. We are concerned, in all of these cases of change in the program, that we take into account not only what we need in the way of money to meet need, but also how we can administer the program most efficiently and economically.

It is also important to stress the need for Federal participation in the costs of welfare services. More and more emphasis should be placed upon prompt amelioration of individual and family problems and upon prevention whenever possible. North Carolina's public welfare program has for a number of years devoted more time proportionately to social services not involving financial assistance than any other State program involving administration of two or three of the public assistance categories. County departments of public welfare are asking for much needed personnel. They see the value of preventive programs. They realize the need for more effective services, to children in particular. Those of us close to the local scene can cite case after case of what happens to children deprived of needed services. If children are our most valuable resource, surely it is time to make the relatively small investments required for more effectively conserving this resource.

Senator MILLIKIN. Mr. Chairman, due to the lateness of the hour, I would not myself suggets oral testimony on this, but I wonder if you could write us a letter telling us what these preventive measures consist of.

Senator TAFT. Also whether the argument, "if children are our most valuable resource, surely it is time to make the relatively small investments required for more effectively conserving this resource,"

is not a reason why the State of North Carolina should divert its money to that purpose instead of coming up here to Washington and asking that it be done. I mean, if that is the most vital thing in North Carolina, they are spending millions of dollars on new roads and all sorts of other things.

Dr. WINSTON. I think before you came in we made the point that for our general fund budget for the current year we have allocated 87 percent of the total for health education and welfare services.

Senator TAFT. Eighty-seven percent of what total?

Dr. WINSTON. Of our total general fund appropriation.

Senator TAFT. Of which? Of the State, or the counties, or what?

Dr. WINSTON. That is our State appropriation.

Senator HOEY. And then that is supplemented, Senator, by each county providing its part of the public assistance program.

Senator TAFT. Yes. I am somewhat surprised at the figures. I would like to see them. I never heard of any State giving 87 percent for those purposes.

Senator HOEY. That includes education.

Dr. WINSTON. You recall that in our State we support from State funds public education.

Senator HOEY. The whole public school system.

Senator TAFT. Oh, the whole public school system. I see.

Dr. WINSTON. Services in North Carolina to individual children have increased from 9,800 in October 1944 to 16,100 in October 1949. Under the present annual Federal appropriation of $3,500,000, North Carolina's annual share is just about half what we are spending this year. This is possible because of some accumulation of funds. If the allocation of $7,000,000 for child welfare services provided for in H. R. 6000 is made, it will only make possible maintenance of our present level of services to children.

We receive from the present appropriation about $127,000 annually, because we had some accumulation from prior years, when it was difficult to recruit personnel. We are budgeted this year to spend around $245,000. Therefore, the doubling of the amount in H. R. 6000 will only permit us to maintain our present level. On the other hand, we are being urged to provide greatly needed services and to give more children the benefit of social-service programs. The need exists and is clearly recognized in every local community. Counties are already carrying their fair share of the cost, and have actually been increasing their appropriations from year to year. Only by increasing the Federal appropriation for child welfare services substantially above the $7,000,000 will we be able to continue to advance in this much-needed area.

In conclusion, therefore, we have stressed with you the belief in our State that we need: an expanded old-age insurance and survivors program, the variable grant principle as now contained in H. R. 6000, a broadening of the definition for aid to dependent children so that we can take care of needy children who now do not have the benefits of the program, a different terminology with regard to the fourth category so that we can handle that administratively and really help needy people, provision for medical care, preferably under the recommendations of the Advisory Council, and an increase in the appropriation for child-welfare services.

We do urge, as a State, that this committee take the necessary steps to amend H. R. 6000 to provide for further extension of old-age and survivors insurance and for Federal participation in a more comprehensive public-welfare program.

The CHAIRMAN. Thank you very much, Doctor. We appreciate your appearance.

I think we had better recess until tomorrow morning. However, I will undertake to get permission to sit tomorrow afternoon.

So, Mr. Lamberth, Commissioner of the Alabama State Department of Public Welfare will appear first in the morning, and then Mr. Childs, commissioner of public assistance for the State of Idaho, will follow. We will just move those two gentlemen up to the head of the list.

Thank you very much.

We will recess until tomorrow morning.

(Thereupon, at 11:59 a. m., a recess was taken until Tuesday, January 24, 1950, at 10 a. m.)

SOCIAL SECURITY REVISION

TUESDAY, JANUARY 24, 1950

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

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Byrd, Lucas, Kerr, and Millikin.

Also present: Senator Dworshak; Mrs. Elizabeth B. Springer, acting clerk; and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will come to order.

Mr. Lamberth, I believe you were called yesterday.

STATEMENT OF BROUGHTON LAMBERTH, COMMISSIONER, ALABAMA STATE DEPARTMENT OF PUBLIC WELFARE

Mr. LAMBERTH. Yes, Mr. Chairman.

The CHAIRMAN. You may have a seat right there. You are the commissioner of public welfare of the State of Alabama?

Mr. LAMBERTH. That is right, sir.

The CHAIRMAN. How long have you been commissioner of welfare?

Mr. LAMBERTH. Since November 1 of last year. I took the place of Miss Loula Dunn, who preceded me yesterday. She organized our department of welfare in the State of Alabama, and I was chosen to fill her place.

The CHAIRMAN. Were you connected with the field of public welfare before that time?

Mr. LAMBERTH. I was vice president of the Public Welfare Board of the State of Alabama. Also, I am a member of the Alabama State Senate, and I was chairman of the public welfare committee of the Alabama State Senate.

The CHAIRMAN. You may proceed, and we will be glad to hear you on this bill.

Mr. LAMBERTH. For the record, my name is Broughton Lambert. I am commissioner of the Alabama State Department of Public Welfare, and I come before this committee in that capacity. Although I ave been in this position only a few months, my interest in social security and human well-being is deep-rooted. From 1947 until my appointment as commissioner last November I was vice-chairman of the Alabama State Board of Public Welfare, of which the Governor is chairman. My appointment as commissioner was made by the State board of public welfare. During the last two sessions of the

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Alabama Legislature I represented two counties in the Alabama State Senate. In that legislative body it was my privilege and responsibility to serve as chairman of the standing committee on public welfare and correctional institutions and also as chairman of the legislative interim committee which reviewed welfare problems throughout our State of Alabama for a period of 2 months.

I mention that in the first paragraph, Mr. Chairman, by way of qualifying myself as knowing the needs of the State of Alabama

I should like to say, too, that one of my first requests as commissioner was to ask that I be heard before this committee if and when hearings should be conducted on amendments to the Social Security Act. We do not now have any real security in Alabama for our needy people. We think that more security could be provided if there were changes in the Federal social security law. That is why I am here today. I want to confine my remarks, however, to those areas of greatest need and to those aspects of the present and proposed legislation which I think are most important for Alabama.

All of you well know that Alabama is a farming State. Our farm population of 47 percent in 1940 was more than twice the figure—23 percent—for the Nation as a whole. We are also a State where per capita income payments over a period of years have been among the lowest for the Nation. Our 1948 average of $891 was far under the $1,410 national average. In fact, payments are less in only three States than they are in Alabama. The States are South Carolina, Arkansas, and Mississippi. This means that most of our people farm and that they have very little in our world's goods. They do not make enough to save for a rainy day or for old age or for any long period when they are unable to work. The result is that we have today in Alabama a large number of farmers who have grown old and through no fault of their own must face the present and the future without security.

Therefore, the first thing I would like to talk about to this committee is our Alabama farmers who have grown old and can no longer make a crop. For most of them their only recourse is old-age assistance. In 1935 under the original Social Security Act they were excluded from the benefits of old-age and survivors insurance. They still are excluded. Yet, when they come to the welfare department and ask for old-age assistance, even though they are eligible under the law, they cannot receive enough for a decent living. Our old-age payments are a little more than $20 a month on the average for the State as a whole. Even where two members of a family might qualify, two payments at $20 each would not mean security.

You may ask why Alabama cannot pay more. Briefly, there appear to be two reasons. We have larger and larger numbers of needy old people and correspondingly smaller numbers within the population who can earn and pay taxes. Not only do we have an increasing number of old people, but we are a State with an unusually high proportion of children. This, obviously, narrows considerably the number within the total population who are in their working years. Thus, it throws our whole economy out of balance. And, in the light of our continuous low per capita income, a large percentage of the people who get old are needy when their working days are over. It all sounds very well to say that people should practice thrift and lay something aside each year. I certainly agree—when there is something to save. Alabama

had an average per capita income of $154 in 1933. This had risen to $242 by 1939, to $644 by 1943, and to $891 by 1948. Could you live decently on $154 or even on $891? And yet this was an average figure—many Alabamians never had that much. They not only had nothing to save—they had too little to eat. That is, both young and old.

It is consequently easy to understand why we have a high old-age-assistance-recipient rate—456 per 1,000 as compared with 231 for the Nation. Our rate of applications for aid also continues to be as high, as there is less and less demand for unskilled and older workers. Right now, too, I would like to make one point clear. Alabama has one of the most restrictive old-age programs in the Nation. We have this high recipient rate in the face of a $480-income-limitation clause written into our Old Age Assistance Act. In other words, no one can qualify for aid by State law in Alabama who has income amounting to as much as $40 a month. By administrative regulation, we also have added to this a property limitation. Ownership of real property with a net value of $2,000 excludes a person from assistance. Thus, you can see that, when persons qualify for aid under the Alabama Old Age Assistance Act and present State regulations, they are needy by anybody's definition.

The CHAIRMAN. You mean to say that $2,000 of real property, whether it is productive or merely consists of a home, would exclude him?

Mr. LAMBERTH. If it is real property, and if it is assessed at the tax assessor's office for $2,000, that excludes him or her from old-age assistance in Alabama. That is by State regulation. It is not by law but by State regulation.

The CHAIRMAN. Even though it is nonproductive property and earns no income?

Mr. LAMBERTH. Yes, sir. Now, that is controversial in my State. Some people agree about it, and some do not. Of course, as to standing timber, that would be productive. And yet you would have other land that would not be productive but would be assessed for $2,000, and yet that person would be ineligible.

Senator MILLIKIN. Do they follow the practice in your State of deeding property of that kind to their children or to others?

Mr. LAMBERTH. They have tried that in the past; but, of course, we do not permit it. We carefully check that through our field workers. We do not permit it, do not allow it, whether they deed it in order to become eligible for old-age assistance or not. It has been tried. And I understand in your State of Colorado you have a certain law to prohibit that. We have the same regulation: that we will not allow the applicant to deed his property to any of his children or any of his kin in order to become eligible. We don't accept that.

Senator MILLIKIN. That is the case if he has done that before he has applied. And, if he still had the property, he would not be eligible.

Mr. LAMBERTH. That is right. We have had cases where they had to check the tax assessor's office and the collector's office as well as the office of the recorder of deeds. Of course, mortgages should be taken off and are taken off. You can have that $2,000 of assessed value, and of course your mortgage comes off of that. It ought to.

When some States are easily securing sufficient money to pay old people $40 and $50 and even $75 a month, we in Alabama are having

a hard time getting up the $5 it takes to match Federal money for a $20 old-age payment. Yet, not only do we keep on having a high rate of applications for aid, but we also find about three-fourths of the applicants eligible to receive a check. We do not know where the money is coming from to grant them aid. But they need it, and old-age assistance is their honorable and just right.

And in clarifying that statement, I would say: because they need it.

You are now considering H. R. 6000 to amend the Federal Social Security Act.

Senator MILLIKIN. I was a few minutes late, Mr. Lamberth, and do not know whether you touched on this subject. What percentage of your State revenues are you devoting to welfare?

Mr. LAMBERTH. In our State, Senator, we appropriate presently $95,000,000 in round figures. $63,000,000 of that goes for education, $9,600,000 is for public welfare, and out of that $9,600,000 we appropriate 73 percent for old-age assistance. That would be somewhere around 15 percent. I never figured it out. And the rest of that $63,000,000, plus the $9,000,000, coming to about $70,000,000, of course, is appropriated for other State functions. But we do not appropriate as much in our State as personally I would like to see. We do not appropriate as much as some other States proportionately.

Senator MILLIKIN. What is your population?

Mr. LAMBERTH. Three million, in round figures.

The CHAIRMAN. In Alabama, are the old-age applicants denied benefit payments if they have children who are able to support them or other relatives who are able to support them?

Mr. LAMBERTH. Yes, sir. We take that into consideration, Mr. Chairman. That is quite controversial in my State.

The CHAIRMAN. I was just asking what the practice was.

Mr. LAMBERTH. We take into consideration whether the children are able to support them; and, if they refuse to support them, then of course we place them on old-age assistance. But, if they will support them, naturally we do not so place them. But we take into consideration how much the children can pay in support.

Senator MILLIKIN. Do you have dependency statutes down there, whereby you can compel a child to support a parent?

Mr. LAMBERTH. Yes, sir.

Senator MILLIKIN. But that is not used?

Mr. LAMBERTH. I used to be second solicitor of my district, and we have the courts cluttered up with those statutes. But we never enforce them. That ought to be attended to. But, if you should send one to the penitentiary for not supporting his children, they would send him back next day. It is not very enforceable.

Senator KERR. Will you say that again?

Mr. LAMBERTH. If you should send one of them to the penitentiary for failing to support his children, they would send him right back.

It is not a good practice. I do not believe in it.

The CHAIRMAN. I suppose the authorities thought such persons would not be any good to them if they would not support their families at home.

Mr. LAMBERTH. Well, there is just not much way to regulate supporting families through the courts. You are attorneys and know about that as well as I.

You are now considering H. R. 6000 to amend the Federal Social Security Act. The formula this bill includes for increasing Federal

grants-in-aid for old-age assistance and other assistance programs is of vital concern to States like Alabama. As our welfare budget now stands, this formula would enable us to increase average old-age payments by about $5.

Senator KERR. That would make you an average of $25 per month per recipient.

Mr. LAMBERTH. That is correct.

Senator KERR. And, of that amount, what would be your State's participation?

Mr. LAMBERTH. It would be the same, $5. It would remain the same.

Senator MILLIKIN. Mr. Lamberth, may I ask you: How much Federal income tax and other Federal taxes does the State of Alabama pay into the Federal Treasury each year?

Mr. LAMBERTH. We pay $276,000,000 from Alabama in Federal income tax and Federal excise tax. That is quite controversial in my State. I argue that we send quite a bit more to Washington than we get. But, of course, we have got to take into consideration that that money goes for past wars and future wars and for the debts, and there are two sides to it. Of course, we argue, and I do, that if you send it to Washington you ought to get more back. And you know the rest.

We still could not pay anything like the $45 national average or the $75 average paid in Colorado.

Senator MILLIKIN. It is $82 now, I believe.

Mr. LAMBERTH. Is it $82 average?

Senator MILLIKIN. Yes.

Mr. LAMBERTH. I made a trip to your State and spent a week out there.

Senator MILLIKIN. You mean you left it, after once being there?

Mr. LAMBERTH. Yes, sir. I hated to leave, but Alabama is a mighty good State. That is where I make my living.

But we would like for people not to suffer because they live in Alabama and grow old there. We think that the Mills formula is an immediate answer to the problem of getting more Federal money quickly into the low-income States where assistance payments are also low. Nevertheless, we would hope that at some future date a formula can be devised that would allocate Federal funds to States on the basis of relative need and fiscal ability. This principle has been applied in relation to funds for the school-lunch program and hospital construction and might well be considered in regard to grants-in-aid for assistance to those unfortunate people who need it.

Also, in the light of these facts, I hope you will give consideration to developing a plan for providing old-age and survivors insurance benefits for farmers. Our people want the kind of security that comes to them without a means test. They want a monthly check when they are too old to work, and they want to pay in to get that check while they work. They do not earn enough to pay for an individual annuity plan. But, they could contribute to old-age and survivors insurance. And they want an opportunity to do so. Farmers are frequenting old-age and survivors insurance offices throughout Alabama with the query, "Why can't I qualify?"

Senator MILLIKIN. Are you referring to the farm employee or to the proprietor?

Mr. LAMBERTH. Both. I realize it is a pretty difficult problem to put the tenant farmer under this income-tax plan as found in H. R. 6000. They both should be taken in, in the future, in some way.

Senator MILLIKIN. You operate pretty widely on a tenant-farmer basis?

Mr. LAMBERTH. Yes.

Senator KERR. Is not that situation changing considerably?

Mr. LAMBERTH. Yes, Senator Kerr. It is changing just like in your State of Oklahoma. But you still have those tenant farmers in great numbers, as well as landlords.

Senator KERR. We have the same problem in Oklahoma, but I would say that in the last 15 years the percentage of the farmers of Oklahoma who are tenant farmers has been reduced by at least half, and I would have thought that it would have been somewhere near that in your State.

Mr. LAMBERTH. Well, it is not quite half, according to the figures of my State. However, it has been reduced considerably. My home town of Alexander City, Ala., at one time had 135 cotton gins in it. Now it has none. That has changed all over the State. We still have 50 percent of our people dependent on farms, whether tenants, cotenants, or landlords.

Senator KERR. I thought you said 47 percent.

Mr. LAMBERTH. That is not, of course, taking into consideration the landlords.

Senator KERR. They live in town, but are still dependent on the farms?

Mr. LAMBERTH. That is right.

Of course, I realize that changes in the law today still would not take care of the thousands of needy people we already have with us. That is why I want to see the public-assistance provisions of the Social Security Act changed so that we can help those already too old to work now. But I hope the insurance can be extended to farmers with a clause to provide coverage at an early date for many of those who are now approaching the time in life when they can no longer earn a living.

It is not within my province to suggest administrative procedures for farm coverage. It is my understanding, however, that the Social Security Administration has developed what appears to be a feasible plan. I would hope that this committee would examine those proposals and give favorable consideration to incorporating them into the social-security amendments.

Senator MILLIKIN. Mr. Lamberth, might I ask you: I see that your average income is $891.

Mr. LAMBERTH. Yes, sir.

Senator MILLIKIN. Has that been a rising figure?

Mr. LAMBERTH. Yes, sir.

Senator MILLIKIN. Does your statement give it? I will not bother you with it if your statement gives the progression of that figure.

Mr. LAMBERTH. Back in 1933 it was as low as $154. By 1939 it had gone up to $242, went to $644 in 1943, and then went to a top figure in 1948 of $891.

Senator MILLIKIN. Thank you very much.

Mr. LAMBERTH. In considering extension of coverage of old-age and survivors insurance, I hope you will also bear in mind that many farmers work off and on in covered employment.

Senator Kerr, that is what I had reference to awhile ago. They sometimes work in the cotton mills, and so forth.

In this way they may contribute to old-age and survivors insurance yet never achieve coverage. Estimates of the number so affected throughout the country have been fixed at 31 percent of farm operators and 38 percent of farm workers. For example, there are farm laborers who work in sawmills and textile mills during part of every year. There are farmers who worked in industry during the war years. Their contributions to old-age and survivors insurance are actually a loss to them. Also, our farmers help pay for the cost of old-age and survivors insurance in much of the goods they buy. For example, an employer rightly considers his contribution for employees as a cost of operation. He is going to get that cost back in the price of the product he sells. So, while technically the farmer and his tenant might not contribute, actually they do. Is it fair to exclude them from the program and its benefits?

H. R. 6000 extends coverage to many workers not now included. It also makes benefit provisions more adequate. These proposals I would support insofar as they go. Alabama's coverage under H. R. 6000, however, would be no more extensive than present national coverage of 60 percent of employed persons. The original Social Security Act anticipated that old-age insurance would carry the major load, supplemented by old-age assistance for a smaller number of people who did not or could not earn benefits during their working years. Unfortunately, the reverse has proved true. Alabama has less than 19,000 aged old-age and survivors insurance beneficiaries now and over 77,000 recipients of old-age assistance. Only a small proportion, less than 2 percent, receive a small old-age and survivors insurance benefit supplemented by old-age assistance.

Old-age assistance has had to carry the load for two primary reasons: Too few people have been covered, and benefits have not been related to living costs. Average payments in Alabama over the past several years illustrate what I mean. There has been relatively no rise in average old-age and survivors insurance payments—they still range close to $15 a month in Alabama.

While old-age assistance has not kept up with changing prices, payments are more than double what they used to be; $2.62 was the average of old age assistance benefits in Alabama in 1927, and it was $27.80 in December 1949.

Policies in regard to determination of need have kept up with living costs but funds have been the limiting factor. Likewise, old-age and survivors insurance maximums have held rigid while ceilings have been raised on assistance payments.

Thus, I would hope that this committee would support amendments which would implement the social insurance program and make it possible for the majority of our people to reach old age secure in the knowledge that they would have an income for the rest of their days And by income I do not mean an assistance check based on a means test. I refer to a benefit check earned by individual contributions.

Senator MILLIKIN. Mr. Lamberth, one of the things that is nagging at me on this subject is that under old age assistance you can, by annual appropriation, keep up the purchasing value of the dollar.

Mr. LAMBERTH. Yes, sir.

Senator MILLIKIN. And thus keep the recipients in position, assuming a proper administration, to keep the benefits up with the purchas-

ing value of the dollar. But when you are dealing with insurance, you are dealing with fixed dollars, which may be worth 50 cents today and 10 cents when the pay-off time comes, or nothing perhaps. How are we going to meet that dilemma of the business?

Mr. LAMBERTH. I realize, Senator, that there are two sides to that. In my insurance policy as well as yours we have to take into consideration the fact that at a later time it is perhaps not going to be worth as much as it is today.

Senator MILLIKIN. That does not make you feel any better, does it?

Mr. LAMBERTH. No, sir.

Senator MILLIKIN. Senator George pointed out yesterday what seemed to be a vital distinction between a private insurance system and this system. I can buy a policy in the private insurance system, or I could have, as a matter of my voluntary choice. I do not have to buy it. Here, you are forcing people. And you are taking their money of a given value, and you cannot assure them that they will take out money of the same value. How can we solve that dilemma?

Mr. LAMBERTH. I do not believe there is any way to solve it.

Senator MILLIKIN. Then should we take their money?

Mr. LAMBERTH. Well, if you do not force them to contribute, to make compulsory contributions to old age and survivors insurance, you will always have this increasing load of old age assistance. And I might tell you from a State standpoint that the State legislature is just as much concerned about that as Congress is. They always want to know: when is the load going to stop getting heavier? And the only way you can stop it, in Alabama, is to put the farmer under old age and survivors insurance.

The CHAIRMAN. Do you think your farmers would approve that?

Mr. LAMBERTH. Yes, sir. The Farm Bureau in my State is heartily in favor of it. Of course, the farmer is an independent man, as you know. But the farmers can be educated to it, and should be. If that is not done, I don't see any end to it, personally.

Senator MILLIKIN. Then we have the additional difficulty that under the insurance system as we are operating it, especially when we are running under deficit financing, you pay twice. The insured pays once; then he pays it all over again as a taxpayer.

Mr. LAMBERTH. That is right.

Senator MILLIKIN. Either directly or invisibly, he pays; pays twice. How are we going to overcome that dilemma?

Mr. LAMBERTH. We have the same set-up you have, Senator, in connection with these pensions to these coal and automobile workers. You pay for their pensions. Also as a taxpayer, you pay twice there.

Senator MILLIKIN. But does that make it any better?

Mr. LAMBERTH. No, sir, it does not.

Senator MILLIKIN. That does not solve the problem. It projects the problem.

Pardon me.

Mr. LAMBERTH. I have already said that while insurance needs to be extended, there must be provision for the needy now. We are especially troubled in Alabama over one group whose sufferings are acute and for whom almost no provision is made. I am talking about a group we call the totally and permanently handicapped. We have in Alabama nearly 8,000 individuals who are too young for old-age assistance and too old for aid to dependent children. They are not

blind, yet their handicaps are so great that they cannot work now and can have no hope of ever becoming self-supporting in the future. We have very limited State and local money even for matching Federal funds in the social security categories. We have still less for this group who are wholly dependent on money from the State and its political subdivisions. Average payments today for aid to the handicapped in Alabama are about $13 a month, yet most of these people need nursing care, special diets, medical attention, and other special provisions which are related to long-time illness. Their needs are far from met on $13 a month.

Senator MILLIKIN. Mr. Lamberth, may I put a question to you bluntly and without any curlicues on it? I notice that one State representative after another wants us to cut down public assistance and get everybody under insurance. Is not the purpose of that to enable the legislatures to avoid matching?

Mr. LAMBERTH. Well, answering that candidly, I expect that is true.

Senator MILLIKIN. In other words, it is to pass the buck to the contributor, if that is a proper expression; pass the buck to the contributor, so that the buck can get out of the lap of the legislature?

Mr. LAMBERTH. I think you are probably right. I must say that as to this program, even in my State of Alabama, the people are not a hundred percent for it. It is controversial there, even from your State level, as well as the national level. They want Congress to take charge of the needy. And, of course, I realize you all want the State level to contribute its share.

I would hope, therefore, that this committee would consider favorably the provisions in H. R. 6000 for setting up a new category of assistance—aid to the permanently and totally disabled. We at least could increase our payments to about the level paid for aid to the blind and old-age assistance if this category were set up.

Because time is limited I will not go into the other aspects of H. R. 6000 or other areas of social security where changes might well be made. In Alabama we have long limited public assistance payments to the unemployable. We see no prospect for changing this. Our State, nevertheless, has done fairly well by its people. Welfare appropriations have increased materially since the Department was set up. Expenditures from State funds in the 1948-49 fiscal year were about four times the amount spent in 1936-37 from this source. Despite Federal grants-in-aid, however, funds have never been sufficient to meet need. There has been no real security even for old people, the children, and the disabled who have been eligible for aid from the agency.

Senator MILLIKIN. May I ask you, Mr. Lamberth, again: What percentage of your total population lives on the farm or is directly supported by the farm?

Mr. LAMBERTH. Well, now, 47 percent is the actual number of people living on the farm, landlord and tenant. It is mighty near 50 percent in my State of Alabama.

Senator MILLIKIN. And then there would be another percent that lives in the little towns serving the farm areas?

Senator KERR. He said that 70 percent of the farmers either owned farms or were dependent on them.

Mr. LAMBERTH. That is right. Of course, if you should put the tenant or sharecropper, or whatever you would call him under old age and survivors insurance, that would materially affect the State of Alabama. And the State legislature is looking to the future in its recommendation.

Senator MILLIKIN. How much cash does a farm family need for, as we will call it in the absence of a better word, security? Or subsistence, minimum subsistence? How much cash money does a farm family in Alabama need to have a decent living level; out of crops and/or additional assistance, via assistance or via insurance?

Mr. LAMBERTH. I would say an average of $75 a month for a family of two. That is very, very small. That would only get him the bare necessities of life. Of course, our social security will only permit $50.

Senator MILLIKIN. How much of that does he get off of his farm? I realize it varies, and the best we can do is get some rough figures.

Mr. LAMBERTH. You mean the landlord? The sharecropper? Or the average?

Senator MILLIKIN. Let us take it one at a time.

Mr. LAMBERTH. I do not imagine it would be easy to figure. This tenant is always in debt every year when he is through. He always owes the landlord.

Senator MILLIKIN. You can see what I am driving at. On the farm, a part of the security is provided by the farm itself; and what I am trying to get at is the relative buying powers or the relative real money values in the two types of occupation.

Mr. LAMBERTH. I would say that he will raise about $600, in my opinion, per annum. That is what the average farmer would make in my State. That would be $50 a month. I figure that on two bales of cotton and so many hundred bushels of corn.

Senator KERR. You figure that on what?

Mr. LAMBERTH. On two bales of cotton and so many hundred bushels of corn. That is my guess, because I do not know the figures.

Senator KERR. Do you know the average size farm?

Mr. LAMBERTH. About 40-some acres.

Senator KERR. Of which how much is in cultivation?

Mr. LAMBERTH. I would say 20 percent of that would be in cultivation and the rest of it in pasture and wooded land.

Of course, I have always said that, just like in your State of Oklahoma, a lot of farmers do not even make a living on the farm. Yet they stay there and try to exist. You know yourself that is true.

Senator LUCAS. You mean that is what is happening in Oklahoma?

Mr. LAMBERTH. No, sir, that is what is happening in Alabama; and I was just referring to Oklahoma in passing.

Senator KERR. I have found that conditions, when they exist, do not seem to recognize State lines.

Mr. LAMBERTH. No. I think you will find them more in the Southern States, including Oklahoma, than in the Midwestern States, though.

Senator MILLIKIN. Do those fellows who cannot make a living on the farm become politicians in your part of the country?

Mr. LAMBERTH. They make a real try in the spring primaries. They are very much interested in old-age pensions.

Senator LUCAS. Mr. Lamberth, did I understand you to say that the average farm family in Alabama can live on the basis of $600 a year?

Senator KERR. Cash income, as I understand it.

Mr. LAMBERTH. Cash income; yes, sir. Of course, that does not mean where he raises certain stuff to eat on his farm. That is cash, a certain amount of cash that he would have to have for doctor's bills, and so on. I realize, Senator, that that is a very low percentage, but he could do it. In fact, they have been doing it on much less. I do not say they are not going hungry, but they are doing it on much less.

Senator LUCAS. The only reason I propounded that question was with respect to statements you made about those who were permanently and totally disabled. Their average payments are around $13 a month. Yet these people, you say, need "nursing care, special diets, medical attention, and other special provisions which are related to long-time illness." Of course, a lot of these other people, that are not permanently and totally disabled, need nursing care at times, and medical attention, too, do they not?

Mr. LAMBERTH. That is right.

Senator LUCAS. And can they get the proper nursing care and proper medical attention on the cash income of $600 a year, if the average family has two or three or four children?

Mr. LAMBERTH. No, sir; not nearly. They can't even touch it. That gets into socialized medicine, which I do not care to discuss now. But as to that $50 a month, as you well know, when they get to 65 years of age, practically all of them are sick at 65. And that won't pay for the doctor's fees, and won't pay for the medicines. That goes into their budgets. It is just one of those things there is no way to take care of at the present time. I hope some day there will be.

Senator MILLIKIN. Take the case of an unfortunate person who is stricken on one of those 40-acre share-crop farms. Do you have a traveling nurse service or traveling medical service? How is he taken care of, to the extent that he is taken care of?

Mr. LAMBERTH. No, sir, we do not have anything like traveling medical or nursing care. He is just thrown on the mercy of the community unless his landlord wants to take care of him.

Senator MILLIKIN. Or he just lies there and dies?

Mr. LAMBERTH. I have two brothers and an uncle who are doctors and can tell you that a lot of them go to charity.

Senator MILLIKIN. The family does the best they can, I suppose, to nurse him.

Mr. LAMBERTH. Some doctors give their services for nothing. I am a great advocate of nursing homes for these old people. But that is far afield in my State.

Senator KERR. What did you say?

Mr. LAMBERTH. I say I am a great advocate of nursing homes for all these old people; handicapped, too. Of course, you get into a lot of expenditure of money there.

In spite of limited money, however, we have provided child welfare services and social services in an attempt to prevent dependency. Such services predate the assistance program in Alabama, where we have long recognized that prevention is as much a welfare job as relief. We know that if we could provide social service, we often

could help a person to help himself. Furthermore, we have long been aware of the effects of one program for human betterment upon another. Thus, we recognize clearly that the whole Social Security Act is important, that all the programs it provides are necessary. We believe in legislation to safeguard maternal and child health, for instance, as much as we do proposals for increasing grants for aid to dependent children. I would, therefore, like to indicate here my support for the over-all social security legislation.

I do not want this committee to consider my interests narrow although I have confined my remarks chiefly to the need of old-age insurance for farmers and for increases in Federal grants in aid for assistance payments. These are merely the points that need greatest emphasis if the welfare of Alabama's people is to be improved because most of Alabama's needy people are old and most of them have lived on farms. We now issue more than 100,000 assistance payments monthly in behalf of more than 150,000 persons in Alabama. One reason for this large volume is the small number of old age and survivors insurance beneficiaries in the State, presently about 37,000. It is clear that low coverage and inadequate benefits have contributed to dependency. I think we recognize together that the welfare of each child and each old person is important to the welfare of us all. I would urge you to consider this as you consider revising social security legislation.

Gentlemen, I appreciate the honor of appearing before you. Are there any other questions?

Senator MILLIKIN. Mr. Lamberth, may I ask one or two more questions? Did you have the poorhouse system in Alabama?

Mr. LAMBERTH. Yes, sir; we used to have almshouses in almost every county.

Senator MILLIKIN. And do you have any left?

Mr. LAMBERTH. We have three left in the State, and there is a movement on in the State to abolish those three.

Senator MILLIKIN. Does your welfare program mostly come from the State, or is it mostly administered on a county basis?

Mr. LAMBERTH. Well, we have a very unique set-up in Alabama. We have what we call local money. But the legislature claims it is State money, and the local people claim it is local money. As a matter of fact, the legislature appropriates it and sends it to the subdivision in each county.

Senator MILLIKIN. And do the subdivisio is administer this system?

Mr. LAMBERTH. Yes, sir. We have county directors, set up under county boards.

Senator MILLIKIN. Do the local governmental units match State funds?

Mr. LAMBERTH. Yes, sir.

Senator MILLIKIN. They do?

Mr. LAMBERTH. They do that with the money that we send them. Of course, they claim that is local money, and the legislature claims that it is State money. But we appropriate $4,600,000 to send to them. We appropriate $4,600,000 from the State level.

Senator MILLIKIN. But do not the counties raise their own money by county taxation for any part of this program?

Mr. LAMBERTH. No, sir; they do not. I think they should, but they don't. That is very controversial in my State. I have always

advocated that they should have appropriation bills in every county for welfare purposes.

Senator MILLIKIN. Is the same thing true as to the cities and towns?

Mr. LAMBERTH. Yes, sir; the same thing is true there.

The CHAIRMAN. Thank you very much for your appearance.

Mr. LAMBERTH. Thank you, gentlemen.

The CHAIRMAN. Commissioner Child?

Senator DWORSHAK. Gentlemen, I am happy to present Mr. Child, commissioner of public assistance of the State of Idaho. He has had more than 10 years' experience in this kind of work and in dealing with social security problems. I am sure he has an interesting statement to present to the committee at this time.

The CHAIRMAN. Senator Dworshak, we are very glad to have the commissioner.

You may be seated if you wish, Commissioner, and I will ask that you please identify yourself for the purpose of the record.

STATEMENT OF B. CHILD, COMMISSIONER, IDAHO DEPARTMENT OF PUBLIC ASSISTANCE

Mr. CHILD. My name is Bill Child, and I am commissioner of public assistance for the State of Idaho. My primary purpose in requesting the opportunity which you have granted me to appear before you today was to speak on behalf of the extension of old age and survivors insurance under the Social Security Act to include farmers and farm workers.

Idaho is an agricultural State with approximately two-thirds of its labor force engaged in employment, principally agriculture, which is not covered under the existing old age and survivors insurance provisions of the Social Security Act. Hence the basic protection offered by the Federal retirement insurance system does not extend to workers in Idaho and other farm States to the extent that it does in predominantly commercial and industrial areas.

Likewise the number of retired workers who are receiving benefit payments under old age and survivors insurance in Idaho bears a significantly smaller ratio to the State's total aged population than does the number of similarly retired workers in States with broad coverage.

In June 1949, retirement benefit payments in Idaho under old age and survivors insurance amounted to $90,835, while old age assistance payments amounted to $487,698.

The CHAIRMAN. Will you give us that figure again?

Mr. CHILD. $487,698.

The CHAIRMAN. Old age assistance alone?

Mr. CHILD. Yes, sir.

The CHAIRMAN. Against $90,000 for the survivors insurance?

Mr. CHILD. That is right.

Senator MILLIKIN. That is for 1 month, the month of June?

Mr. CHILD. Yes, sir, the month of June 1949.

By contrast, in the industrial State of Connecticut in the same month, the insurance payments actually exceeded old age assistance payments by nearly $50,000.

The discrimination resulting from inequities of coverage between predominantly agricultural and predominantly industrial States is re-

vealed in a comparison of data as of June 1949, on old age assistance and old-age and survivors insurance between a group of farm States comprising Colorado, Idaho, Montana, Utah, and Wyoming and the industrial states of Connecticut, Rhode Island, and New Hampshire. The total populations, respectively, of these two areas are comparable. The recipient rate per thousand of population aged 65 or over for old-age assistance is 344 in the farm States and 120 in the industrial States. In inverse proportion the same rate for old-age and survivors insurance is 128 in the farm States and 247 in the industrial States.

The dollar payments under the two programs bore approximately a 1 to 1 ratio in June, 1949, in the industrial States, being $1,653,865 of old age assistance and $1,613,274 of old-age and survivors insurance, while in the farm States old-age assistance payments were $4,880,500 in contrast to $665,337 of old-age and survivors insurance payments, a ratio of over 7 to 1.

Based upon Bureau of the Census population estimates for July 1948, the annual cost of old-age assistance per inhabitant in the farm States is $19.63 and less than one-third as much, $5.64, in the industrial States.

With the combination of high price levels and a rapidly increasing population of aged persons, the costs of old-age assistance in Idaho are rising so rapidly that continued financing of the State's share of those costs at their present trend threatens soon to become an unsupportable burden within the present tax structure. The solution does not lie in assumption of a greater proportion of those costs by the Federal Government. In my judgment it lies in raising the payment level of old-age and survivors insurance to a reasonable proportion in relation to living costs; broadening the coverage to include farmers and farm workers in addition to the extended coverage proposed in H. R. 6000; and provision for a reduced qualifying period for persons in the upper age brackets.

Thus the advantages of old-age and survivors insurance will become more equitable among all States and the degree of a needy aged individual's security shall not be determined by the nature of the work to which he has devoted himself.

For the past several months I have devoted much of my time to focusing public attention in Idaho upon the question of agricultural coverage under old-age and survivors insurance. I have met and discussed old-age and survivors insurance with service clubs, boards of county commissioners, advisory councils of public assistance, farm groups including the recent annual meeting of the Idaho State Grange, and scores of farmers and farm workers. I have supplied farm newspapers, local Grange organizations, and many others with informational material about public assistance and old-age and survivors insurance.

Throughout these contacts I have solicited questions and offered to answer or to attempt to secure the answer to any questions that might be raised. Frequently the objection has been offered that agricultural coverage would involve additional bookkeeping which is odious to farmers. After having explained the insurance system and the proposal of the Social Security Administration to employ stamp-book method of reporting for farm workers and the income tax return for reporting earnings of the self-employed farmer, I have not heard a single farmer express himself as opposed to farm coverage.

Senator MILLIKIN. Proprietor or worker?

Mr. CHILD. Proprietor or worker.

I have not encountered a single objection from a farmer that has not been resolved by these explanations. I have heard expressions of approval and support of the proposal from hundreds of them.

The CHAIRMAN. What is the system under which your farm workers are employed? Are they on the day basis, or the weekly or monthly basis?

Mr. CHILD. There are two predominant types, sir. There is a large group of itinerant seasonal workers that are employed primarily during harvest season, and they are on a day basis. Then there are year-around employees, particularly on the dairy farms, who are paid a monthly wage.

The CHAIRMAN. You do not have anything that approaches a sharecropper system, or a system providing for participation in the profits of the business?

Mr. CHILD. Remotely, yes. There are tenant farmers there who operate farms owned by landlords on a share basis, but it is not nearly as extensive as it is in the cotton producing States and in other areas.

Senator KERR. The common acceptance of a "sharecropper" is one who receives not only the land to farm but his living expenses while he does it, and then divides the crop on a certain basis. Is not your system in Idaho different from that, in that it is a tenant farmer proposition, and he takes the farm for a rental of a certain percentage of what he produces and then maintains his own economic independence or security while he is doing it?

Mr. CHILD. Yes, sir. That is right. The landlord assumes no responsibility for meeting or contributing to his living costs, to the tenant's living costs.

Senator KERR. So that the sharecropper system, as we know it, does not exist there?

Mr. CHILD. It does not exist there.

Senator DWORSHAK. Can you tell us how the farm labor pay scale compares with other States?

Mr. CHILD. With other States having a similar type of agriculture, the wage scale is comparable. For example, hands that are employed for the harvest of crops in the fall start out in California, and some of them go through Texas and others come directly through Colorado into the Dakotas, into Montana, and down into Idaho. They receive pretty much the same wage scale in all of those States. The year-round employee used to receive a very low salary plus his keep. The current wage for a full time farm employee would average, I would say, approximately $150 a month.

Senator MILLIKIN. Plus keep?

Mr. CHILD. About half the time, plus a house. He receives no food. Sometimes he gets a garden plot on which he can produce green vegetables.

Senator MILLIKIN. I mean, does he eat at the family table?

Mr. CHILD. No.

Senator MILLIKIN. Would he have his home?

Mr. CHILD. He usually would have his home. Of course, there are exceptions.

Senator MILLIKIN. And some donations of garden truck and eggs and chickens and things of that kind?

Mr. CHILD. There are exceptions, but that, I would not say, would predominate.

Senator KERR. He has the opportunity to produce that for himself on his own little patch of ground?

Mr. CHILD. Pretty much; yes. But he is pretty much an independent family economic unit nowadays.

Senator DWORSHAK. Mr. Chairman, in most cases the farm employer provides housing facilities in addition to this wage.

Mr. CHILD. Yes; in most cases he provides housing facilities.

I might say at this point that that is on the decline, because in many sections of the State they are converting to a different kind of production, and in many sections of the State, particularly in the Snake River and Boise Valleys, they are chopping up farms and increasing their dairy activity, putting in smaller farms, and it eliminates housing facilities for many of them. Consequently, the concentration in the small farms and rural areas has increased tremendously in the last few years.

Senator MILLIKIN. What is your percentage of proprietor-operated farms and your percentage of tenant-operated farms?

Mr. CHILD. I do not know, sir. The percentage of labor force engaged in agriculture is approximately 67 or 68 percent of the State's total labor force engaged in agriculture.

Senator MILLIKIN. May I ask if any one has any statistics on proprietor-operated farms and tenant-operated farms in that part of the country?

You might write us a letter and tell us what that is.

The CHAIRMAN. If you can get that information, Mr. Commissioner, we would appreciate it.

(The information referred to is as follows:)

The latest figures I have been able to secure on this subject are taken from the United States Census of Agriculture, 1945, published by the Department of Commerce, Bureau of Census:

Full owners	26,109
Part owners	6,785
Managers	240
	33,134
Cash tenants	1,845
Share-cash tenants	276
Share tenants and croppers	4,971
Other and unspecified tenants	1,272
	8,364
Total all operators	41,498

Senator KERR. Which way is the tendency now, Mr. Child?

Mr. CHILD. The tendency now in the wheat-producing areas is toward larger farms.

Senator KERR. But as to proprietor-operated farms and tenant-operated farms?

Mr. CHILD. I do not know that, sir.

Senator KERR. In other words, you do not know whether the percentage of those being operated by owers is on the increase or decrease?

Mr. CHILD. The percentage of those being operated by owners in the dairy areas is increasing. The percentage in the dry-farm areas,

the wheat areas, of owner-operated farms, is decreasing. They are becoming large and, frequently, company-operated farms.

Senator KERR. Are they not operated by the owner, whether it is a company or an individual?

Mr. CHILD. Yes; but there are fewer farms because they are being consolidated.

Senator KERR. The question was not addressed to the number of farm units, but as to the character of their operation as between the proprietor operation and the tenant operation.

Mr. CHILD. Well I cannot give you the figures. I might be able to find them for you and address them to the committee when I return.

Senator MILLIKIN. What are your principal crops?

Mr. CHILD. The principal crops in the southern part of the State are potatoes and beets and beans, with onions coming up pretty closely behind, plus whole milk for manufacturing, and dairy products. Then there are two large wheat-producing areas.

Senator MILLIKIN. That is in the northern part of the State?

Mr. CHILD. One in the north, sir, around Moscow, and the other is in the upper Snake River Valley section, around Teton and Felt.

The CHAIRMAN. All right, Mr. Child.

Mr. CHILD. There is a growing awareness among farmers—

That the costs of old-age and survivors insurance benefits and company-industry pension payments are charged against the cost of production of the commodities they buy without accruing any direct benefit to them;

That with the enactment of H. R. 6000 in its present form agricultural employment will become the only major occupation remaining in the country which will not offer retirement and survivor benefits, thus offering future threats to their labor supply.

That they are vulnerable to the same hazards that cause dependency among other groups and consequently will benefit from the basic protection of retirement and survivor benefits; and

That the Nation is rapidly being confronted with a choice between universal free pensions which must be financed from general tax sources or a system of old-age and survivors insurance covering all gainfully employed persons with benefits to retired workers or their eligible survivors based on contributions from previous earnings.

Senator MILLIKIN. Are you aware of the fact that under the old-age and survivors insurance system as it is now being run, considering the trust-fund feature, the general taxpayer may be called upon to pay the expense of the system in the end?

Mr. CHILD. Yes; I am aware of that, Senator. However, I should like to point out that whatever additional costs devolve upon the Federal Government to supplement the resources of the fund for the payment of these benefits, those costs must of necessity still be much less than the total cost would be under a free pension system.

Senator MILLIKIN. Illustrate that to me, please.

Mr. CHILD. For example, if the Nation resorts to the device of free pensions, 100 cents out of each dollar of pension payment will be paid out of general tax funds. If the Congress extends and develops the use of the insurance system, so that the full-benefit payment which the Government will, in effect, owe the covered employee upon retirement is 100 cents, and the fund only provides 75

cents, then the obligation of Congress to appropriate the balance will involve an appropriation of only 25 cents on the dollar instead of the whole 100 cents on the dollar.

Senator MILLIKIN. If we spend the insurance premiums as we get them for general-revenue purposes, which we have been doing since the inception of the system, then the taxpayer ultimately will have to pay the cost of the system, will he not? At least he will have to repay the reserve part of the system?

Mr. CHILD. That is true, Senator, but, as I have always regarded it, the tax which is levied to reimburse the fund—the tax purpose for that could be considered the object for which the money was borrowed. For example, if the fund accumulates $10 billion, and out of that $10 billion 9 billions are spent on national defense, then at a future time it is necessary to replace the 9 billions through tax revenues. The object of the expenditure of those tax revenues is not the replacement in the retirement fund, but the object is the national defense, for which the 9 billion dollars originally was borrowed. I consider, then, that in effect there is only one tax imposed for OASI in principle, and that is the tax on earnings. If that money is loaned to another object of governmental expenditure, then the tax which is levied to replace that loan is levied for the purpose of financing the object for which the loan was made.

Senator MILLIKIN. Yes; but what happens to the insurance fund, the object of which was to provide security along that line, and what happens to the payments of the contributors to that system, which were to go to provide security for the fund?

Let us assume that these funds are spent for a very worthy purpose. Let us assume it. Let us assume they would have to be covered by bonds if you were operating in a deficit financing system. But what has that to do with keeping your funds that are contributed for insurance, *for insurance.*

Mr. CHILD. Well, in effect, if I understand you correctly, I regard it that they are being kept for insurance if either the funds or the Federal credits representing those funds are intact in the retirement fund.

Senator MILLIKIN. But they are not intact. They have been spent.

Mr. CHILD. But the Federal credit is there in their stead.

Senator KERR. The bonds, you refer to?

Senator MILLIKIN. The Federal credit that you are talking about is a debt. It is a liability. We do not set up a credit for the Federal Government in the true sense of the word "credit" when we put out a bond. We are setting up an indebtedness.

Mr. CHILD. A secured indebtedness, sir.

Senator LUCAS. What is the difference if you borrow this $9,000,000,000 from this social-security fund to take care of a national-defense program, or whether you borrow it for some other purpose? I have never been able to follow the argument of the distinguished Senator from Colorado. And I think the witness, here, has given a very clear explanation of this whole situation.

I want to congratulate you, sir.

Senator MILLIKIN. I suggest, Senator, and to the witness, that it depends on what you are putting the money in for. If you are putting the money in for insurance, those who contribute the money should not

have to pay it again as taxpayers; nor should they have to pay it again as contributors. That is the difference.

Mr. CHILD. Senator, you have a thesis that involves an area of economics that is over my head.

Senator MILLIKIN. Well, it may be over mine, too. I have been trying to get some education.

Mr. CHILD. However, reducing it to a simple situation, we have an individual who has been engaged in covered employment, upon whose earnings there has been imposed a 2-percent tax, borne jointly by himself and his employer. He retires, and in order to keep it within the 1 percent area, we will say that he retired last December 31. Today he is receiving a benefit payment. Now that individual has paid a tax on his earnings only once. Does that oversimplify it?

Senator MILLIKIN. Yes. Because you fail to look forward to the time when he also has to pay again as a taxpayer because the money that is supposed to assure some security for the security system has been spent. And as to both of those costs you made a reference, here, and a very wise one, to the burden of the consumer—both of those costs are paid by him and others as consumers. The pay-roll tax becomes a cost of production. And ultimately the tax that is raised for replacing the money that has been spent out of the trust fund also becomes a cost in one way or another, direct or invisible.

Mr. CHILD. Is that not, sir, a repetition of the entire system of Federal financing?

Senator MILLIKIN. It is a repetition of payment for a certain objective. The contributor is supposed to pay the cost of his insurance. He pays. The money which is supposed to be set up as a reserve fund is not in fact set up as a reserve fund. You do not in fact set up an asset. You set up a liability, which must be paid again, perhaps not directly by the contributor as such but by the contributor as a taxpayer, along with all the other taxpayers.

Mr. CHILD. Senator, may I duck out on this question, which is over my head, by simply saying that from the standpoint of my particular area of interest and experience, that is, the security of individuals, the insurance principle is intact. And whether or not the method of custody, of stewardship, of the funds collected in the process of an insurance system is one which is intact is a question which has to rest with Mr. Fauri, for example.

Senator MILLIKIN. If he gets his insurance to that extent, the insured's benefit is intact. That is true. That is entirely true. But that still leaves the question as to who finally pays the bill in addition to the contributor's contribution. And your farmers in Idaho, who believe that this contribution system will carry itself and thus take the burden off of taxation, might be very much interested in the fact that this money which is being put in does not represent an asset in a reserve fund as it does in a private insurance company, but represents the building up of liabilities which he, as a taxpayer, is going to have to pay in the future.

Mr. CHILD. Well, as I say, in the development of a national compulsory contributory insurance system, I would of course be concerned about the security of the fund. I think the stewardship of the fund should be very carefully designed.

Senator MILLIKIN. Let me put it to you this way: In an insurance company, the insurance company takes the money that comes in, and

it spends a certain amount for its expenses, but it also contributes a certain amount of that to reserves, so that it can meet its obligations as and when they mature. Right?

Mr. CHILD. Right.

Senator MILLIKIN. Now, what does it have with which to meet those obligations? It has bought Government bonds, State bonds, real-estate mortgages. I see where insurance companies are engaging in big slum-clearance projects and are the direct owners of income-producing real estate, and so forth, and so on. Theoretically, it can go out and sell that stuff for enough money to meet its obligations. Right?

Mr. CHILD. Right.

Senator MILLIKIN. All right. It does not have to collect it again from the policyholder or from anybody. It has collected it once from the policyholder, and that provides the reserves which assure his safety. Correct? Now, when it sells this stuff, it is selling assets. And, as I said before, it does not have to go out and collect it again from either the policyholder or the public in general. There is a distinction.

The CHAIRMAN. Well, the situation is this, is it not; so far as the fund is concerned, the Government bond is an asset.

Senator MILLIKIN. To the insurance company.

The CHAIRMAN. To the fund. So far as the Government is concerned, that is, all of the people, it is a debt. It is a liability. That is the whole case, it seems to me.

Senator KERR. It would be just as much a debt if the bond were in the hands of the private insurance company.

The CHAIRMAN. Exactly the same.

Senator KERR. Is not the bond just as much an asset to this insurance agency as it would be to a private insurance agency?

The CHAIRMAN. Yes. I thought so. It of course becomes a liability. And to the extent that the beneficiary of the insurance is himself a taxpayer, why, of course, he has that obligation still resting on him.

Senator MILLIKIN. But the distinction, I suggest, becomes very clear when you consider the case of a private insurance company. The private insurance company has collected once. It has set up a collectible asset in its reserves, which theoretically at least will produce where needed the amount of money which was invested in that reserve. And it does not assess its stockholders again. It does not assess the policyholder again. But under this system we set up what is said to be an asset of the trust system, which has been paid for by the contributors; but when recourse must be had to the reserve fund it has to be paid for again by the taxpayer.

Mr. CHILD. But by another group of taxpayers.

Senator MILLIKIN. Including the contributor. That is the difference. And I suggest there is a very substantial difference between the two things.

Mr. CHILD. There is a continuation of the tax-collecting process. The taxpayers continue to pay taxes, sir. But the taxes which are currently paid and which are going into the retirement of the bonds representing the original trust fund are not being paid—those payments are not duplicating the original payments, but they are supplementing those original payments for additional costs of government.

Senator MILLIKIN. Do you not see the distinction between the operation of the private insurance company and the operation of this system?

Mr. CHILD. Senator, I see the distinction you are making. I think basically I see it differently. I do not agree with you, sir.

Senator MILLIKIN. All right. Supposing that today we wanted to liquidate the insurance-trust reserves in this system. There is no question in my mind but that they could be liquidated. But who would pay for the liquidation? A new set of bonds would have to be put out, or cash collected from the taxpayer would have to be used. And it always comes to the same thing, does it not?

Mr. CHILD. Yes. But that already would have been done, Senator. A new set of bonds would already have been issued to finance past expenditures had the money not been available to borrow from the fund.

Senator MILLIKIN. But not for insurance. You have collected that money already. Now you are collecting it again. That is my whole point.

Senator KERR. Let me see if the witness and I understand this alike. I am convinced that he does not understand it the way Senator Millikin does.

This insurance agency collects certain contributions from employers and employees and receives them in cash. It takes that cash, as any other insurance agency does, and buys bonds or indentures or evidences of indebtedness, which are repayable in like amount. Now, insofar as it is concerned, if it buys Government bonds, those bonds are assets to that fund just like they would be to any private insurance company, as you understand it?

Mr. CHILD. Yes, sir.

Senator KERR. When the time comes that that fund needs money and owns bonds which are not yet due, it takes those bonds and sells them in the open market, just like an insurance company would, as you understand it?

Mr. CHILD. Yes.

Senator KERR. And thereby provides itself with such liquid funds as it may need to meet its day-to-day or month-to-month operations. So far as it is concerned, it does not collect additional premiums from its policyholders to provide them the benefits they have already paid for, any more than an insurance company would.

Mr. CHILD. That certainly is my understanding.

Senator KERR. That is the way I understand it.

Senator MILLIKIN. I understand that, too.

Senator KERR. As far as the Government is concerned, it has no less or no greater obligation by reason of the fact that that bond is owned by this insurance agency or by a private insurance company. It owes the amount of the bond to whoever holds it, whether it is another governmental agency or whether it is a private agency. Is that the way you understand it?

Mr. CHILD. Yes, sir. May I add: I think the Government in effect assumes two roles in this question. One is the role of an insurance company. The other is the role of the Federal Government financing its expenditures. I share the Senator's concern about the national debt, and about the stewardship of the fund, but in one role the Government is collecting funds and placing them in trust and

purchasing Government bonds from this other character which it is assuming, purchasing Government bonds and placing those to the credit of the trust fund.

Senator MILLIKIN. I think you are entirely correct. The difference between a private insurance company and the Government is that the private insurance company conserves for insurance purposes the contributions which it gets from the policyholder. The Government spends the money which it gets out of the insurance system for general purposes, which must be made good in the future by the general taxpayer. Surely there is clear distinction resting on those different facts.

Mr. CHILD. The distinction, however, rests in the multiplicity of purpose of Government.

Senator MILLIKIN. You view the trust fund as a place for the Government in its spending capacity to sell bonds, just as it could sell the same amount of bonds, presumably, to the general public. Of course, that is true. A private insurance company, if it were permitted by law, could take those receipts which it gets from premiums and spend them for general purposes unrelated to insurance. And then you would have the same situation. When the due date came, when the time came to dip into the reserves and have assets there, it would not have assets; it would have debts. That is the difference.

Mr. CHILD. Shall I proceed, Senator?

The CHAIRMAN. You may proceed.

Senator MILLIKIN. I also want to express my appreciation of what you have said on this subject, because I think you have made a very good statement on behalf of those who favor the present practices, and I appreciate your contribution.

Mr. CHILD. Thank you.

It is on behalf of all farmers and with the expressed support of many of them that I recommend an amendment by the Senate to H. R. 6000 to provide for the extension of coverage of old-age and survivors insurance to include self-employed farmers and farm employees.

Gov. C. A. Robins of Idaho has read the foregoing statement and has authorized me to state that it has his complete approval and support.

Because of the overwhelming importance of adequate extension of coverage and increased benefit payments of old-age and survivors insurance, I am limiting my comments about proposed social-security amendments to those aspects. I feel that when they have been accomplished the demands for increased appropriations for public assistance, both Federal and State, will begin to recede and the foundation for the only kind of security that has meaning to people—that which is produced by their own participation and productivity—will have been soundly established in America.

Senator MILLIKIN. Is that not another way of saying that you have to bring your insurance payments up to a point equivalent to the public-assistance payments, or you would still continue to have pressures?

Mr. CHILD. Yes, sir.

Senator MILLIKIN. So that you have got to shape your insurance system to produce that ultimate result.

Mr. CHILD. Yes, sir.

Senator MILLIKIN. For example, we pay $82.50 a month now in Colorado for public assistance. So we would have to have a social

security system which would pay the same amount, or to the same people, the same amount to the same people, or the pressures would continue. Is that not correct?

Mr. CHILD. In principle, sir, yes; with this exception:

The insurance system must have meaning in terms of benefit payments, must have sufficient meaning, to make it popular with people. In order to accomplish that, it must have a benefit payment level which is somewhat adequate or nearly adequate in terms of current living cost. You have mentioned the inflexibility of the insurance system as compared to the same proportion that insurance bears, in relation to Colorado's payment level for old-age assistance. Well, by comparison with the payment levels in other States, that is an inflated old age assistance payment.

Senator MILLIKIN. Oh, sir. Do not say that.

Mr. CHILD. No; in comparison, I say, sir, to the $20 in Alabama.

Senator MILLIKIN. Because that is a goal for other States.

Mr. CHILD. I am sorry I do not make myself clear. Old-age and survivors insurance payments must have meaning in terms of what it costs an individual to live. Now, there will of necessity always be some type of public-assistance program, which we hope can be reduced to a residual role.

Senator MILLIKIN. You believe it will diminish as coverage widens and as benefits under the insurance system increase, and diminish roughly proportionate to that increase. Is that right?

Mr. CHILD. Yes; and that the experience curve on it will be a steady line, without fluctuations that characterize old-age assistance. But the old-age assistance line will continue to fluctuate in accordance with the increase or decrease of needs in relation to this basic income from the insurances.

The CHAIRMAN. You believe in the contributory system?

Mr. CHILD. Emphatically, sir.

The CHAIRMAN. And you want to extend it as nearly universally as possible, to practically universal coverage?

Mr. CHILD. Yes, sir.

The CHAIRMAN. And you say the farmers in your State, you think, really approve that program?

Mr. CHILD. The ones with whom I have talked, the groups with whom I have talked; yes, sir, once they understand it.

The CHAIRMAN. Both the landlords and those who work; the workers?

Mr. CHILD. Yes, sir.

The CHAIRMAN. You approve the system suggested by the Social Security Administration; that is, the stamp program?

Mr. CHILD. Entirely, sir. That has been illustrated to many farm groups in the State. And I might say that the only solid resistance that I have ever heard expressed from farmers has been directed to the point of reporting earnings. They do not want to keep books. They do not want to be bothered. And their resistance simply drops away and vanishes when they are told about the proposed stamp-plan method of reporting and collecting earnings.

The CHAIRMAN. Does that adjust itself or lend itself to the farming system in which you have almost weekly changes in your farm workers?

Mr. CHILD. Oh, I think so; yes, sir.

The CHAIRMAN. More so than undertaking to keep accounts, to keep records, and make settlements based on such records? You think it is easier?

Mr. CHILD. Much more so; yes, sir.

The CHAIRMAN. And simpler?

Mr. CHILD. Yes. One of the most compelling reasons, Mr. Chairman, for my advocacy of the insurance is that from the standpoint of administration, it can be accomplished without invading the feelings of individuals, without presuming upon what they regard as their privacy and their freedom. An insurance system, which is a money payment reduced to as nearly an irreducible automatic process as is possible, reconciles itself with those feelings of privacy and freedom. The administration of a means-test program is humiliating.

The insecurity that it produces, with continual changes in amount, in limitations, that is. In the State of Idaho, for example, 12 years ago there was enacted a recovery provision, that is, a provision which would provide for the recovery from the estates of a deceased recipient the amount of assistance he had been paid. It was repealed. It was reenacted. It was declared inoperative. It was reactivated by Supreme Court decision. And it affected very few cases, but it became a matter of major concern with many people, because it just was not compatible with their sense of freedom and their sense of belonging.

The CHAIRMAN. So you would envision a social-security system, properly understood, as being distinct from a relief system entirely?

Mr. CHILD. I see it as a measure of prevention of dependency rather than relief of dependency.

The CHAIRMAN. And you have already said you would favor universal coverage, including the two major groups that are now left out under H. R. 6000, that is, the farmer and the farm worker?

Mr. CHILD. Yes, sir.

The CHAIRMAN. And then I presume, by your statement, that you think that the pressure for aid to any particular group, or all groups, will grow less and less. I presume you mean on the theory that while need would continue to arise in special groups in any State, in all States, that would become more and more the proper concern of the State and of the local community, rather than the Federal Government?

Mr. CHILD. It is part of my thesis, Mr. Chairman, that if the great mass of dependency which is now being treated through old-age assistance and public assistance can be assured of a minimum basic security through the insurance system, State welfare departments will be left relatively free of the preponderant mass of dependency, relatively free to concern itself with the special problems, the needs that arise out of situations involving special considerations and special treatment. And thus State funds will be relieved of the burden of mass dependency, and it will then become possible to give special consideration to special needs. For example, the development of adequate medical care for people without means, which has been sadly neglected in the State of Idaho, and which is entirely possible if the insurance programs develop to meet a significant part of these maintenance needs.

And then our school systems need to be extended, in order to provide teaching facilities for home-bound children, with cerebral palsies and rheumatic heart, and so on. Many things that need to be done

are being neglected, not because of the lack of recognition that they exist, but because of the terrific load being imposed upon funds for this exclusively money need which is so much better handled by an insurance system.

The CHAIRMAN. Let me ask you: What do you do in Idaho with your children, your dependent children, so far as their education and training go? Do they simply find their place in the educational system, as any other child in the community, all other children in the community?

Mr. CHILD. Yes, sir.

The CHAIRMAN. And they attend the existing institutions, whatever they are, in Idaho?

Mr. CHILD. Yes, sir.

The CHAIRMAN. Do you have any problem of delinquency, of delinquent children? Is that a big problem with you in the West, in your State of Idaho?

Mr. CHILD. Yes, Mr. Chairman, if I understand what you mean correctly. The problem of children getting into trouble exists everywhere there are children, and a large part of the problem of children who get into trouble is the fact that they have been raised in homes where there has not been security, where there has not been money income. And money takes on a significance to a child who is raised in an underprivileged home that is all out of proportion to the other values, such as honesty and integrity, and so forth. And so the child steals or gets in trouble.

Yes; we have that problem, and it is part of my very serious concern about getting a system of insurance which will provide security in a fashion that is acceptable to people, so that they will be free to give their children the affection and sense of security and the parent relationship that they need; thus—and I am entirely sincere—thus reducing the problem of delinquency and freeing resources to treat with that which remains.

Senator DWORSHAK. Mr. Child, when you urge inclusion of farmers and farm help in the security program for old-age insurance, are you not merely trying to equalize the financial burdens under that system as between the farm States and the industrial States? And in that regard, I reemphasize the final paragraph on the first page of your statement, and I quote therefrom:

> Based upon Bureau of the Census population estimates for July 1948, the annual cost of old-age assistance per inhabitant in the farm States is $19.63 and less than one-third as much, $5.04, in the industrial States—

which merely means that in the industrial States, with the full coverage, there is a lesser direct financial obligation on the part of the States to take care of the elderly needy citizens than there is in the farm States, where the farm workers are not included in the old-age insurance set-up. Is that correct?

Mr. CHILD. That is entirely correct, Senator. Yes, sir.

The CHAIRMAN. Any further questions?

Senator BYRD. I would like to ask if the farm organizations have taken any position with respect to including the farmers under the social-security program.

Mr. CHILD. The State grange in its annual meeting last month in Idaho Falls offered a resolution which, consistent with their traditional practice, was handed to the executive committee for final action. The

State grange master is head of the executive committee and was in Washington last month. The grange master told me that the executive committee would probably meet early in February and act on that resolution. I do not want to quote him as saying that he was confident that it would pass, but his manner seemed to indicate that he was confident that the executive committee would bring the resolution out.

Now, the resolution—I had the privilege of reading it—is an unqualified endorsement of the principle of inclusion of farmers and farm laborers.

As I tried to point out before, sir; among the farm groups that I have contacted there is genuine enthusiasm for agricultural coverage.

Senator BYRD. The secretary of the committee has handed me a copy of a resolution adopted for the Grange at Sacramento, Calif., November 16, 1949. It says:

> Therefore be it *Resolved*, (1) That we favor extension of coverage to farm people on a trial basis working toward the perfection of a practical plan; (2) that coverage be extended to farm people in these States adopting appropriate legislation; (3) that the executive committee be authorized to advocate the Grange stand favoring general coverage of farm people if it is satisfied that the plan proposed is workable.

So the Grange apparently has taken this action, on November 19 of last year.

The CHAIRMAN. Did you say that the Farm Bureau had given its approval?

Mr. CHILD. No, sir; I haven't had any contact with the Farm Bureau.

Senator KERR. Another witness referred to the Farm Bureau.

The CHAIRMAN. I believe so; yes.

Mr. CHILD. I would like to emphasize for the benefit of the committee that the focal point of farm resistance is in this matter of reporting earnings and collecting taxes. They want the security, and they know, farmers know, they are vulnerable to the same hazards of life that get the best of other people. But they are skeptical about the need for bookkeeping. And when they have been told and shown the operation, the simplicity, of this proposed stamp plan, their resistance disappears, and they become enthusiastic.

Senator BYRD. Does your plan provide for the coverage of the self-employed among the farmers? I mean, the small farmer that employs himself and his family, and so forth?

Mr. CHILD. Yes, sir. We recently made a survey of a large sample of recipients of old-age assistance and classified them according to their principal occupational background. And on the basis of that sample, 40 percent of the recipients in our State of old-age assistance are those whose primary and principal occupational background was agriculture.

Senator KERR. Employee, or employer?

Mr. CHILD. We didn't make the distinction. I would say it was probably a combination.

Senator BYRD. You would consider the self-employed as an employee, so far as getting the benefits are concerned?

Mr. CHILD. Yes, sir. Now, in making this distinction between the employer and the employee, there is, with the exception of the more prosperous farmers and the other extreme, a great shifting back

and forth between the status of employee and employer. The big corps of farmers are employers and employees alternately during particularly the early years of their life, and then later in life they are both, both employer and employee.

Senator BYRD. And in the same calendar year?

Mr. CHILD. Yes; within the same calendar year.

Senator BYRD. A man would work on his own farm, and then would go to work on the crops of some one else?

Mr. CHILD. That is right.

Senator BYRD. Would that present very great difficulty in the way of keeping accounts, in the case of a man who was self-employed for a time and became an employee for the balance of the time?

Mr. CHILD. No major difficulties, if the stamp plan method and the income-tax-return method are used. No major difficulties that I can see.

Senator BYRD. The American Farm Bureau Federation, in their annual convention at Chicago on December 15, 1949, in their resolution issuing therefrom, seem to endorse that general principle. They there adopted a resolution saying that farm labor should also be covered. The resolution states:

> If the extension is provided by law to include self-employed other than farmers, and is proved feasible and administratively practical, then careful consideration should be given by State and county farm bureaus to the question of the coverage of farm operators under the old-age and survivors insurance program.

So it seems to me, as you say, more a question of the administrative operation of the program, the administrative standpoint. Is that not correct?

Mr. CHILD. That is entirely correct in my experience, sir.

Senator KERR. You have discussed this suggested method of operation with a number of groups of farmers and with farm groups?

Mr. CHILD. Yes, sir.

Senator KERR. And as I understood your statement, as they understand the proposal that has been made, they have received it with interest and universal enthusiasm.

Mr. CHILD. Sir, when I addressed the State grange convention, according to the newspaper there were 800 farmers and their wives there. I was amazed at the response that I received. I got the loudest and the most sustained round of applause that I have ever received following a public appearance. And my remarks were confined solely and exclusively to the subject of old-age and survivors insurance for farmers and the illustration of what it implied in terms of their labor supply, in terms of their individual security, in terms of their tax burden to finance public assistance. The response was amazing.

Senator MILLIKIN. Was the response duplicated in private conversations with them? I mean, I used to applaud William Jennings Bryan, but I did not agree with him. [Laughter.]

Mr. CHILD. I don't think the comparison is valid, because I am not an orator, sir.

Senator MILLIKIN. You are pretty persuasive.

Mr. CHILD. I was met at the door by a gentleman who introduced himself as chairman of a committee. I never quite got the name of the committee. And he asked if I would meet with his committee that afternoon. I made the appointment, and I went over to the

Rogers Hotel at 2 o'clock, and at that time it was crowded, and it took me 10 minutes to get through the lobby. I just finished talking to one farmer, when another one would stop. And they all registered the same enthusiasm. Now, I don't want to misrepresent that. It was an enthusiasm that they wanted more information about it. And since that time both Mr. Mellinger, who is local manager of the old-age and survivors insurance field office in Boise, and myself, have received numerous inquiries for material which local grange and other local farm groups could use for study material.

The CHAIRMAN. We thank you very, very much, Mr. Child, for your appearance here.

Mr. CHILD. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. J. O. McMahan, commissioner of public welfare, State of Tennessee, will be the next witness.

STATEMENT OF J. O. McMAHAN, COMMISSIONER, TENNESSEE STATE DEPARTMENT OF PUBLIC WELFARE

Mr. McMAHAN. Mr. Chairman and members of this committee, for the record, my name is J. O. McMahan. I have been with the Tennessee Department of Public Welfare since 1937. I have been commissioner of welfare since January 17, 1949.

With your permission I should like to file my statement and discuss briefly the major points that I have brought out in that statement.

The CHAIRMAN. You may do so, Mr. McMahan. The whole statement will be of record, and you may supplement it in any way that you wish.

(The prepared statement of Mr. McMahan is as follows:)

STATEMENT OF J. O. McMAHAN, COMMISSIONER, TENNESSEE STATE DEPARTMENT OF PUBLIC WELFARE

I have been with the Tennessee Department of Public Welfare since 1937. At that time we began the administration of the three categories of public assistance, old-age assistance, aid to dependent children, and aid to the blind and child welfare services which, as you know, are provisions of the Social Security Act. House bill 6000 I believe will greatly strengthen the present Social Security Act. It contains many provisions which are of vital interest and importance to my State. I greatly appreciate this opportunity to talk with you about this bill and to point out some of the provisions that are particularly important to my State and which I believe can strengthen our welfare programs by being changed.

First, I would like to discuss the proposal which relates to old-age and survivors insurance. Although my department is in no way concerned with the administration of this program, it affects not only public assistance but also the entire economy of my State. I strongly endorse the provision that extends OASI coverage to an estimated 11,000,000 persons and increases the benefit level. In addition, I urge further extension, and that is the coverage of agricultural workers. There is unanimous consent that social insurance is to be preferred to assistance in providing income security for the aged who can no longer work and for families whose breadwinner dies or becomes unable to work. Yet in my State the majority of the people in these two groups who are dependent are receiving public assistance rather than insurance payments.

In 1937 when the public-assistance program began in Tennessee it was anticipated that within a short period of time the trend would be downward for assistance and upward for insurance payments. This has not proved true. In 1939 there were approximately 21,000 persons receiving old-age assistance payments. At the conclusion of 1949 there were approximately 62,000 people on the old-age assistance rolls with a monthly expenditure of $2,000,000.

With the aid to dependent children program the story is the same. The 9,000 families receiving these grants in 1939 have increased to 22,000 in 1949, with a monthly expenditure of something over $1,000,000.

With the aid to dependent children program the story is the same. The 9,000 families receiving these grants in 1939 have increased to 22,000 in 1949, with a monthly expenditure of something over $1,000,000.

Compared with these figures the number who are receiving old-age and survivors insurance payments is rather small. The last figures I have available indicate that approximately 18,000 OASI payments are being made to elderly people in Tennessee, while approximately 3,000 widows with young children are receiving payments.

If the insurance way is the intelligent, the more constructive, the preferable method of approaching the problem of economic security then something is out of kilter in Tennessee and it is not difficult to determine the trouble. Tennessee is predominately a rural State. This means that approximately one-third of the estimated 1,200,000 workers in Tennessee are agricultural workers. These 400,000 workers have no OASI coverage. Employment in agriculture, on the whole, pays comparatively small wages, consequently, when workers in this field retire in the majority of instances they have had little or no opportunity to accumulate enough to provide themselves during their working years with income security in old age or during long periods of disability. Consequently, they are dependent. It can readily be seen, therefore, what the coverage by OASI would mean to this group of people in our State. It is obvious that if OASI is to provide income security its benefit level must be raised.

And now, I would like to discuss the provision relating to public assistance. The proposal for the fourth category, that is assistance to the totally and permanently disabled which will greatly strengthen the public-assistance program. At the present time on a State-wide basis Tennessee has only three categories of assistance, OAA, ADC, and AB. Those in need who do not qualify for one of these programs must depend on whatever is available in their local communities. The local communities find it impossible to provide adequate assistance to this group. Our recent reports show that only about two-thirds of our counties have programs of general assistance outside of almshouse care and the average grant per month is $6.10. This pitiful sum alone emphasizes the inadequacy of the provisions for approximately 2,000 known needy individuals in the State who are not fortunate enough to come within one of the above-mentioned categories. Federal funds will enable the extension of assistance much more adequately to this group of people.

The next proposal I would like to mention is the one which increases the proportion of assistance payments contributed by the Federal Government. I am in favor of any proposal that increases the amount of Federal funds which Tennessee receives.

When I state that I am interested in any formula that increases the amount of Federal money that Tennessee would receive I do not feel that I am putting the State in the light of a supplicant who is out to get all she can without being willing to do for herself to the extent of her capacity. To substantiate this I would like to give you some facts and figures about Tennessee. A recent Tennessee taxpayers' association publication gives the information that for 1948 the total tax receipts in Tennessee amounted to $490,920,133, and of this amount $359,088,286 was Federal revenue collections. Of this amount the Federal Government returned to Tennessee $38,181,453 in grants-in-aid of various programs. The remainder of $131,831,847 constituted the State's total revenue. Of this amount approximately 13.5 percent was spent for public assistance. It is interesting to compare this with New York State, which spends seven-tenths of 1 percent of its total revenue for public assistance and in so doing has an outstanding and adequate assistance program. Tennessee's public assistance expenditures amount to $6.88 per inhabitant which is as high and even higher than many of the wealthier States, for instance Connecticut spends $5.71 per inhabitant. Tennessee's per capita income is $916 which is several hundred dollars lower than the national per capita income. The per capita income in our counties ranges from a high of $1,066 to a low of $186. The cost to the State of the three categories of assistance has increased 97.3 percent in the past 10 years. This means that the State has had to increase its revenue. I believe that Tennessee has faced squarely and realistically its responsibility.

All possible sources of revenue have been explored; additional taxes have been imposed, among which is a State sales tax. A tax on earned income is prohibited by the state constitution, however, we do have a tax on unearned income. Even, however, with these efforts that have been made more adequately to provide for the needy of our State our public assistance payments remain inadequate. Consequently, we do look to the Federal Government for further assistance in financing our assistance programs. Under the present matching formula, Tennessee would

receive approximately $4,000,000 per year more than it is receiving at present. To tell what it will mean in terms of the individual recipient I would like to explain briefly the method by which we determine when a person is in need of assistance and how much he is to receive.

We have adopted the minimum subsistence standard of living as the standard by which assistance will be administered. This standard is defined in terms of consumption items which include food, shelter, fuel, clothing, utilities, household operations, medical care and personal incidentals. I do not believe that anyone would question these items as being essential requirements, however, there might be a difference of opinion that these items constitute all of the essential requirements. For instance, a question may be raised as to whether or not burial insurance or an allowance for recreation should be included. At any rate, we have accepted only the items I have mentioned.

The standard is further defined by establishing cost figures for these items. These figures are obtained by establishing the quality and quantity that are necessary for the various requirements and then applying an average cost price that has been obtained by pricing the particular items through the State. Even though our standard is defined in somewhat restricted terms, the funds available for assistance do not permit us to meet these requirements entirely. Therefore we leave out whatever items we cannot pay for. At the present time when a person applies for old-age assistance or aid to dependent children in our State we compute what it will cost to provide food, shelter, fuel, clothing, and personal incidentals. If he has enough income to provide himself with these requirements he is not eligible. If he does not have enough income for this, then what he has is supplemented by assistance up to the maximum payment.

The present average OAA grant is $30.76, the average ADC grant is $48 per family. In many instances the maximum imposed by statute prevents adequacy. The proposal, therefore, to increase Federal matching will mean that another item of need can be added to our grants and the proposal to include an allowance for the parent in ADC will mean that this program can be much more adequate. It is obvious that $27 cannot provide even a subsistence security for a mother and one child let alone a mother, a disabled father, and one child and yet this is the maximum that can be matched through Federal funds at this time for a group of three.

A proposal that I believe is not in keeping with the philosophy and the purpose of assistance is that which exempts $50 of income in the aid-to-the-blind program when the vocational rehabilitation service for the blind recommends such exemptions. As I understand it the purpose of assistance is to supplement what people have and are able to do for themselves in order to insure at least a minimum subsistence. In our democratic society we believe that no person should be allowed to fall below this standard of minimum subsistence, therefore, when an individual through his own efforts is not able to provide himself with this standard we make provisions to supplement what he has. On the other hand we believe that assistance should not do for any person what he can do for himself. As long as a program is to be assistance, it seems to me essential that we take into consideration the extent to which people are able to provide for themselves and then supplement with assistance adequately to provide a subsistence level. If the amount of assistance is adequate to insure a decent standard then I see no reason for exempting any income. To include this amendment really means that we are tying the rehabilitation program for the blind to the public-assistance program. It seems to me that it would be better to amend the rehabilitation program so that grants without consideration of income less than $50 per month can be made by the rehabilitation agency.

Another provision that I am interested in is that which requires an examination for aid to the blind applicants by a physician skilled in the diseases of the eye or by an optometrist in order to determine blindness. I am opposed to the inclusion of the optometrist. As I understand it, the optometrist is licensed to measure vision only. I can understand that such a measure could establish the degree of blindness, however, it would not give us any information as to the cause of lack of vision or to any pathology of the eye. It is inexcusable to administer an aid to the blind program without emphasis on prevention of blindness. Consequently, the reports from the examining physician provide an invaluable source of material on which a prevention of blindness program is carried out.

All of the reports from ophthalmologists on applicants for aid to the blind are reviewed in our office and when recommendations are made for medical care or surgery in order to improve vision or to retard further loss of vision this medical care is provided through the sight conservation program. If we had only the

optometrist's report it would mean that we would again have to pay for an examination by a physician in order to determine whether or not vision could be improved or further loss of vision retarded.

A last proposal that I would like to endorse is that which increases the funds for child welfare services. Much that I have previously told you about Tennessee emphasizes why this increase is so important to our State. Tennessee has 37 percent of its population under 18 years of age. It is interesting to compare this with 26 percent of New York's population being under 18 and yet New York's per capita income is almost double that of Tennessee, with a greater percentage of young people and a lower economic scale than most States; Tennessee needs the extra funds.

In conclusion I would like to repeat that I see in House bill 6000 an important milestone in the history of social security for the citizens of the United States comparable only to the milestone of 1935 when the Social Security Act itself was passed. Again I say, I appreciate this opportunity that you have provided for me to discuss with you this bill.

Mr. McMAHAN. I should like to emphasize some of the statements that have already been made here as to the importance of increasing the coverage of OASI and increasing the benefits under OASI or old-age and survivors insurance.

Tennessee is predominantly an agricultural State, although it is becoming somewhat industrialized since the advent of TVA, and we have a large farm population which is not covered under old-age and survivors insurance. We believe that it is advisable to cover the self-employed and farm workers.

Senator KERR. Will you say that again?

Mr. McMAHAN. We believe that it is advisable to include farm workers and self-employed people under the provisions of old-age and survivors insurance.

Senator MILLIKIN. All self-employed of all categories?

Mr. McMAHAN. Yes, sir. And we believe also that the stamp plan is probably the most feasible method of administering that, although I would not be qualified as to that.

Senator BYRD. What is your definition of a self-employed person? For instance, a good many people have a garden patch and work in that and raise food which they consume themselves.

Mr. McMAHAN. Any person whose major source of income is work which he does as the owner or the operator.

Senator BYRD. In other words, he would have to sell things?

Mr. McMAHAN. Yes, sir.

Senator BYRD. He would have to get in revenue, cash revenue?

Mr. McMAHAN. Yes, sir.

Senator BYRD. And it would not be a question of consuming it himself?

Mr. McMAHAN. That is right.

Senator KERR. Do you have an opinion as to whether or not the farm population themselves want to be under this program?

Mr. McMAHAN. No, sir; I am not prepared to answer that question, although from those with whom I have talked there is almost unanimous desire. But I will have to say that I have not canvassed the State, nor do I have any accurate source of information as to the desire of the farm group.

Senator MILLIKIN. Would you approve compelling any self-employed group to come under the system if it were indicated that they did not want to come under it? For example, I am thinking about lawyers and doctors and engineers and architects.

Mr. McMAHAN. Yes, sir. For example, the teachers of the State of Tennessee have asked that they not be included; and I certainly would not advocate including a group which did not want to be included.

The CHAIRMAN. That is because they have a retirement system, I assume?

Mr. McMAHAN. Tennessee has a teachers' retirement system which we believe is fairly good; and the teachers have expressed a desire to remain under that system.

Senator MILLIKIN. I doubt whether you could classify a teacher as self-employed. They do not have the proprietor aspect in their activities. They are employees. The teachers and the firemen and others in my State seem to be opposed to inclusion, as employees. They have their own system.

Senator BYRD. I just wanted to ask a question about the self-employed. Your definition of it is that he must receive a major part of his income from that work, whereby he is designated as a self-employer. Is that true?

Mr. McMAHAN. Yes, sir.

Senator BYRD. Well, now, suppose a self-employer would do a majority of his work outside, working on other farms. Would he then get credit for the part that he worked on his own farm?

Mr. McMAHAN. I believe the system should, if it is at all feasible, take in both.

Senator BYRD. When it comes to the cash part of it, I know up in my country frequently he will be working on other farms, and a farmer might thereby get more cash than he makes with the produce of his own farm.

Mr. McMAHAN. Yes, sir; that is true.

Senator BYRD. How would you handle that?

Mr. McMAHAN. It is an administrative detail, Senator.

Senator BYRD. It is a detail, but it is an extremely important detail.

Mr. McMAHAN. It is one that is hard to answer.

Senator BYRD. We may favor the general principle, and I think all of us do, but it has got to be worked out, and it is one of the most difficult things that I have come in contact with, as to how to work out not only the question of the employee and these transient workers, but of the self-employed. Because so many farmers work on their own farms part of the time. A good many of them mine coal up in my country. They work on the farm 3 days a week, and they will work under Mr. Lewis 3 days a week. What would you do abut that?

Mr. McMAHAN. I think that he should pay the tax on that income, that cash income, which he derives from his own self-employment; and, of course, that he should receive credit.

Senator BYRD. You are not sticking to your definition of a self-employer. You said that he had to get his major income from his work as a self-employer. Now, that may not be the case in a lot of these instances; I mean, as to his major income.

Mr. McMAHAN. In Tennessee, a great many of the smaller farmers do derive a great proportion of their income from employment on the neighboring farms, or, in the slack season, in the wintertime, from other employment.

Senator BYRD. You would have to change your definition, then, from what you just stated.

Mr. McMAHAN. I would think that if their major portion came from that, they would be employees; that is, their major portion of income.

Senator BYRD. Then they would be excluded, as self-employers, in those cases.

Mr. McMAHAN. I would advocate that the self-employment and the employer basis both be counted. Now, I don't know how that would be done, Senator.

Senator BYRD. That is the point. Then your first definition is not what you really intended to say? That they must get their major compensation from self-employment? Otherwise they could not be classified as a self-employer.

Mr. McMAHAN. I might have to make that distinction.

The CHAIRMAN. Mr. McMahan might have contemplated that he would get the major part of it during a portion of the year from his business, so to speak, and might receive the major part of his compensation during another part of the year from a wage or from the doing of something that could be translated into wages.

Senator BYRD. I thought it was calendar years that we figured the compensation upon.

Mr. McMAHAN. Of course, during the springtime when they are actively putting in their crops and cultivating them, some of the farmers in Tennessee put all of their time on their own farms. As soon as the crops are laid by, as they express it, they then go out and hunt work, either with other farmers or with building trades or anything that is available.

The CHAIRMAN. Mr. Cohen, would you mind helping us just a little, here? You are familiar with the stamp plan, are you not?

Mr. COHEN. Yes; Senator.

The CHAIRMAN. As applied to farmers and farm workers?

Mr. COHEN. Yes.

The CHAIRMAN. Well, what about the situation that Senator Byrd has presented, where the farmer is a part-time self-employed man and part-time he is an employee?

Mr. COHEN. Under the terms of the bill, you look at that person in his two different capacities. As an employee his contributions are deducted as he earns his wages. That goes on week for week, month for month, during the calendar year.

Senator KERR. Or day by day?

Mr. COHEN. Or day by day, as the case would be. At the end of the calendar year, as Senator Byrd has indicated, he would then make a report in connection with his income tax, on the amount of his self-employment income on his farming activity. And if that was in excess of $400 per year, then he would pay a premium on that additional amount. So that he would only be taxed, in the second case, on that amount of income directly attributable to his self-employment activity.

In the first case, therefore, as a farm hand, his contribution would be collected periodically through the insertion of the stamp in the stamp book, and at the end of the year as a farmer he would pay an additional amount in connection with his income tax.

Senator BYRD. Then it would not be necessary for the major part of his income to come from his self-employment, in order to receive the benefits?

Mr. COHEN. No, sir; I think the test would have to be separate. The test, as a farmer, would have to be the amount of his income received during the calendar year from farming. And $400 or $500, whatever the amount is that would be determined,would be the test. So they would be completely separate in that test.

Senator MILLIKIN. Why do you not apply the stamp plan to the employer? A farmer might be a very diligent farmer and yet be wiped out by hail or by insects or any of the multitudinous things that could jeopardize a farming operation. Why should he be deprived of protection during a bad year, assuming that he could get enough money together to put on his own stamps as a proprietor?

Mr. COHEN. Well, that is a question separate from the question of the record keeping that you mentioned, Senator.

Senator MILLIKIN. You have been talking, here, about the advantages of getting away from record keeping which the farmer does not like. It seems to me that you are projecting him into a new series of records to be kept.

Mr. COHEN. Well, the only record——

Senator MILLIKIN. And you are relating it to the amount of his income from the farm when he might have a very bad income due to factors that are beyond his control.

Mr. COHEN. I see. Your question covers the case in which he did not have a net income.

Senator MILLIKIN. Suppose he were diligent on his farm trying to produce a crop, but supposing that he was wiped out by hail or something. What then? Shall we say this man has no protection during that year as a proprietor?

Mr. COHEN. Well, that is a very difficult question, and he would not necessarily, under the bill, not have any protection that year, if he had been in the system for several years. He doesn't lose his protection immediately by failure to pay in a given year. But, of course, if that did occur for 5 or 6 years, as it did between 1929 and 1933 or 1934, you are correct. He could lose his protection.

Senator KERR. The sum total of his protection would be added to each year, to the extent that he was engaged as an employee.

Mr. COHEN. That is correct, Senator. And, as I say, he would not lose his protection immediately by failure to pay in for 1 year. His benefit might be a little bit smaller by the failure to have contributed during that particular year.

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

Mr. McMahan, is there something else you wish to say?

Mr. MCMAHAN. Yes, sir. As I said, we would like to see the coverage and the payments, the adequacy of the payments, increased, so that the public-assistance load will go down. We hope eventually there will be very little public assistance and there will be only residual care necessary, such as for those who are totally and permanently disabled and for that fluctuating load that we must carry due to sickness, injury, disease, and so on. We believe there will always be the necessity of a general relief program to supplement insurance in such periods of sickness or injury, or even depressions; but that eventually the insurances should carry the major load so that finally there will only be that group of unemployables who are totally and permanently disabled, and those who are in need of temporary care.

Actually, we feel that the contributions to the Federal Government from the State of Tennessee are much higher than the benefits which

we receive in the way of grants in aid. For example, the total tax load of Tennessee is around $491,000,000. Of that amount, $359,000,000 goes to the Federal Government, leaving approximately $132,000,000 for the State operation.

Senator BYRD. That does not include the local and city taxes, does it?

Mr. MCMAHAN. No, sir. Of that, we receive back about $38,000,000 in grants in aid. Of course, that does not include all the other services which we receive from the Federal Government. So we feel that actually our payments to the Federal Government should go down, or else our returns should increase. That was putting it just very bluntly. We are paying in much more than we receive. And accordingly we feel that the grants to the aged, or rather all grants for public assistance, should be increased, and that the matching formula should be revised, as outlined in H. R. 6000.

I especially want to emphasize the desirability of a fourth category for the totally and permanently disabled. We have more than 2,000 known cases in Tennessee, people who, most of them, have never been employable, who face a life of abject poverty, and who are not eligible for any type of assistance at the present time. Local communities are forced to take care of them and are contributing about $6.10 per month for the care of these people. That, of course, is entirely inadequate.

Senator BYRD. Are they in the homes; or in some institutions?

Mr. MCMAHAN. In the homes and also in our almshouses. We have about 77 almshouses remaining in the State. Our Governor is a very socially minded man, and he is advocating homes for the aged. That is, he has made some public comments on that subject.

Senator BYRD. How many inmates are there in the 77 poorhouses?

Mr. MCMAHAN. Around 2,700 at the last count that I had, sir.

Senator BYRD. They are the old people, chiefly?

Mr. MCMAHAN. Most of them are aged and feeble-minded.

Senator BYRD. You have asylums for feeble-minded, too, do you not? Other institutions?

Mr. MCMAHAN. Yes. We have the institutions for the insane and for the feeble-minded. But those institutions are so crowded that a great many of the feeble-minded people who are not dangerous—that is, a good many—are not able to be put in those institutions, simply because of lack of space.

The CHAIRMAN. Anything further?

Mr. MCMAHAN. Yes, sir. I would like to add a word for the inclusion of the child-welfare program. The program for the aged and the blind is a residual program; care of residuals, and this program for children is something that is looking to the future. And we believe in prevention rather than allowing our children to grow up without care and eventually becoming charges on the State. By enlarging and increasing our child-welfare programs we can prevent much of the care that will have to be given later. We respectfully recommend that that provision of H. R. 6000 be recommended to the Senate.

There is one provision in this bill relating to the blind; that is, that the blind people may be exempted up to $50 in earnings, provided that the rehabilitation agency recommends that that exemption will aid them and spur them on toward becoming self-sustaining. I believe that that provision is not in keeping with the idea of public assistance. In other words, assistance itself is to maintain people at a standard compatible with decency and health, and below which the State and

the Government will not permit any individual to fall. Blindness itself is pathetic, and, as someone has said, one blind man can get more publicity than a dozen crippled men. But the fact remains that assistance is based on something to prevent people falling below a subsistence level. Now, to grant that particular exception to the blind would open up a loophole for others and we would eventually get into a pension idea rather than assistance.

I believe if it is necessary to do something like that, then the payments should come from the rehabilitation agency rather than from public assistance. In other words, change that, and provide that in rehabilitation cases the rehabilitation agency shall be authorized to make such payments as necessary, and then allow them to continue with their earnings.

I believe, Senator, that that is all I have to say, since you have the statement filed with you.

The CHAIRMAN. Yes. Your statement will go in the record in its entirety.

If there are no further questions, Mr. McMahan, that will be all. We thank you for your appearance here.

The committee will recess, then, until 2:30 this afternoon, at which time we will hear the other witnesses scheduled.

(Whereupon, at 12:05 p. m., a recess was taken until 2:30 p. m., this same day.)

AFTERNOON SESSION

(The committee reconvened at 2:30 p. m., upon the expiration of the recess.)

The CHAIRMAN. The committee will come to order.

I believe the first witness this afternoon is Mr. Lawrence E. Higgins, commissioner of public welfare, State of Louisiana.

STATEMENT OF LAWRENCE E. HIGGINS, COMMISSIONER OF PUBLIC WELFARE, STATE OF LOUISIANA

Mr. HIGGINS. Mr. Chairman, I have a short prepared statement that I would like to read and then supplement with an oral statement.

The CHAIRMAN. All right, Mr. Higgins. Will you please identify yourself for the record?

Mr. HIGGINS. I am Lawrence E. Higgins, commissioner of public welfare for the State of Louisiana.

For the record, I would like to say that I have been employed in the department of public welfare since March of 1937. I began as a welfare visitor in the city of New Orleans and was subsequently promoted to assistant to the commissioner in 1942. I served in that position until July of 1948, when the commissioner, Mr. W. S. Terry, Jr., died. I took over at that time and have been serving as commissioner since.

I appear before the committee as commissioner of public welfare for the State of Louisiana. The viewpoints I express represent those of our Governor as well as the Louisiana State Welfare Board, hundreds of citizens, welfare officials and workers, all of whom are vitally interested in the development of the Federal social security plan, particularly as it affects the State of Louisiana.

The public welfare program in our State has been greatly expanded since its inception in 1936. At that time, State appropriations.

amounted to approximately $6,000,000. Today, the Department is administering a program in which the State is spending approximately $45,000,000 per year.

Senator MILLIKIN. What is your population, Mr. Higgins?

Mr. HIGGINS. About 2,600,000.

While all categories of assistance have been expanded, the greatest increase has been in old age assistance, where we are presently spending a total of $5,700,000 per month; that is, both State and Federal funds. Assistance is given to approximately 121,000 persons in the old-age category, and the average grant is approximately $47 per month.

Senator MILLIKIN. And how many people over 65 have you in the State?

Mr. HIGGINS. We have approximately 146,000.

Senator MILLIKIN. And you have given assistance to how many?

Mr. HIGGINS. 121,000, roughly about 80 percent of our estimated number over 65.

On the other hand, according to figures secured from the Federal Security Administration for June 1949, there were only 15,687 aged beneficiaries receiving old-age and survivors insurance in Louisiana, with an average payment of approximately $19 per month.

It is indeed a sad commentary on the existing old-age and survivors insurance program that such a relatively few individuals in Louisiana receive insurance payments and that more than half of these beneficiaries have to depend upon public assistance to supplement the meager payment that is being made.

I believe that the situation that exists in our State clearly shows that a more adequate system of insurance coverage is needed. Certainly, it clearly demonstrates that broader coverage to bring in more people under the insurance plan is necessary.

Because of the very low old-age and survivors insurance benefits that are being received by Louisiana, the welfare department has to supplement the payment to about eight or nine thousand persons; that is, out of the 15,000 that are getting old-age and survivors insurance, we have to supplement those payments to about 9,000 people. I am sure that if Congress had extended coverage and increased benefits under the insurance plan years ago, we in Louisiana would not today be faced with the tremendous financial burden of our present assistance program, paid for through direct taxation.

We firmly believe that an adequate insurance program with adequate benefit payments is one of the major factors in solving the problems of the aged in this country today. Certainly it is true that unless adequate payments are made under the insurance program, the States, particularly the poorer States, will be forced to continue expanding their assistance programs in order to provide anything approaching security for their needy people.

Fortunately, in Louisiana, our people have seen fit to tax themselves heavily in order to face and to try to solve this very real problem of adequate assistance to the needy aged. We have gone as far as we possibly can in this respect, and we believe that the real solution is more extensive coverage and more adequate benefit payments under the insurance program, rather than continued dependence upon the assistance programs to take care of our aged population.

Senator MILLIKIN. Will you tell me, please, what is your average per capita income?

Mr. HIGGINS. In 1948 it was a little over a thousand dollars, Senator.

Senator MILLIKIN. What percentage of your total governmental income in Louisiana do you spend for welfare?

Mr. HIGGINS. Of the total budget for the biennium 1948 through June of 1950, 34 percent was budgeted for welfare.

Senator MILLIKIN. That is the State government?

Mr. HIGGINS. That is State; yes, sir.

Senator MILLIKIN. And do you have local contributions also?

Mr. HIGGINS. No, sir; not in public welfare. It is State administered and State financed.

Passage of legislation to extend coverage and increase benefits will not, of course, be an immediate solution to the problem. It is true that the increased benefits would help to some extent, but, because of the relatively few people receiving benefits in Louisiana, it will be years before the benefits of extended coverage will be felt. For long-range planning, however, the insurance approach seems to be the only desirable approach.

In H. R. 6000, the bill which the Senate Finance Committee is considering, there is a section providing for Federal participation in a fourth security category, of public assistance for those people who are totally and permanently incapacitated. We believe that this provision should be liberalized to the extent that it would provide Federal participation in all cases where a physical or mental disability prevents a person from providing for himself. It would seem to me that it is just as important to give financial assistance to a person who may be well and unable to work for a period of 3 or 4 years as it is to provide financial assistance to a person who is totally or permanently disabled.

In fact, it may be more advisable, inasmuch as a person with a temporary illness could possibly be rehabilitated and put back into the labor market and again become self-sufficient; whereas, if he is denied financial assistance during this temporary period, there is always the possibility that he may then become totally and permanently disabled.

Senator MILLIKIN. May I ask, please, what is the percentage of people in agriculture in your State, as compared to the percentage in industry?

Mr. HIGGINS. I don't have that figure, Senator, but I do know that there is only 32 percent of our working people who are presently covered by old-age and survivors insurance. There are 68 percent of our people uncovered.

Senator MILLIKIN. Of all workers?

Mr. HIGGINS. Yes, sir.

Certainly, in my opinion, there is no group of needy people who are more deserving of help than the sick and crippled of this country. I firmly believe that the principles recognized by Congress in the Social Security Act should certainly apply to this group of citizens.

Many of the States, in spite of the fact that they do not receive Federal funds, have tried to take care of these people.

In Louisiana, we are presently spending more than $1,000,000 per month entirely from State funds in giving assistance to 31,000 people who are crippled or sick to the extent that they cannot earn enough to take care of their needs. Certainly there seems to me to be a responsibility of the Federal Government to participate in this type of

case and to give these people an opportunity to achieve a standard of living compatible with decency.

Senator MILLIKIN. Can you tell us how much of that money is for total disability and how much for partial disability and for illness?

Mr. HIGGINS. Senator, we have in our State this fourth category, which we call "others assistance." Every person who is receiving assistance in that category must have a medical certificate to the effect that he is unemployable. In some few cases the unemployability may extend to a degree that he can possibly earn a small amount. Maybe a man with a serious heart condition could possibly serve as a night watchman. But it would not be to any extent possible to earn under our fourth category. They are all medically certified people.

Senator MILLIKIN. Do some of them fall short of what would technically be total disability?

Mr. HIGGINS. Yes, Senator; I think a rough figure would be 20 percent that might not be permanently and totally disabled. There is a very technical point from the medical standpoint, I believe, in determining just what is total and permanent disability. Tuberculosis, for example, may be arrested, in a person who can then be put back into the labor market. Would that type of case be excluded under the present provisions? We think it should not. We think if a person is prevented from earning his livelihood because of illness or physical or mental handicap, we should be able to give him assistance and get him back on his feet.

In that connection, I would like to recommend to the committee their consideration of Senator Long's bill, which he introduced last year, and which is presently before this committee; that is, Senate bill 2162. In this bill, the provision is made to help, through Federal matching, aid to the disabled. And his definition means:

> Needy individuals who, by reason of prolonged illness, physical or mental handicap, or otherwise, are unable to work at employment sufficiently remunerative to provide for their needs.

Now, that is the type of category that we have in our State, and I would like to recommend for your consideration a liberalization from the total and permanent disability to this type of matching in federal funds.

Senator MILLIKIN. Do you derive your welfare funds from the general revenues?

Mr. HIGGINS. We have a dedicated 2 percent sales tax, which is dedicated to the department for all welfare purposes. It is not earmarked in any respect. Our old age assistance as well as our ADC or "others assistance" or administration all come out of that one fund.

Senator MILLIKIN. Out of sales tax?

Mr. HIGGINS. Yes.

The CHAIRMAN. How much is that producing now?

Mr. HIGGINS. It is producing approximately $45,000,000 per year.

The CHAIRMAN. That is approximately your total expenditure for public assistance?

Mr. HIGGINS. Yes, sir, except that we are presently experiencing a great increase in this "others assistance" category. Naturally, as the labor market becomes a little tougher, that is, as more people are out of work, the tendency on the part of employers is to do away with the services of a person who may be handicapped to some extent. During

the war, when labor was very tight, many of these people were able to work part time. Some of them did earn sufficient. But now that things are not quite as good in an economic sense, many of these people are being released, and there is no place for them to go. They are physically disabled. We have in our case load in that category about 45 percent of those people that are people suffering with very serious heart conditions. There is about 15 percent who are epileptics and have various mental disorders, the feeble-minded, and that type of case.

To our mind, that is one of the most deserving groups of people who need assistance in this country today, especially when you consider that they are in need. There is nobody who will take care of their needs. They must turn to the State. And in our State, as I say, we have made a very tremendous effort in trying to give assistance to those people. We are presently spending over a million dollars a month, entirely State funds.

In that connection, I would like to say that there is a very distorted notion, I think, that Louisiana has confined its welfare program to a very large extent to increasing the old-age assistance program. While it is true we have greatly expanded our old-age assistance program, we have also greatly expanded all of the other categories which we administer. For example, as to this "others assistance" category that I am talking about, prior to 1948 we serviced only 9,000 people. Today we are helping 31,000. Our average grant was about $18; today the average grant in that category is $40. Again, it is all out of State funds. In our aid to dependent children category we were taking care of approximately 25,000 children; today we are taking care of approximately 77,000 children. In old age, we had approximately 58,000 prior to July of 1948; today we have 121,000.

Senator MILLIKIN. Do your counties and cities have independent taxing powers?

Mr. HIGGINS. Yes, sir.

The CHAIRMAN. Did you state the amount that was being paid, the average amount, to old-age assistance recipients.

Mr. HIGGINS. It is about $47, Senator; $47 per month.

Senator MILLIKIN. Including the Federal?

Mr. HIGGINS. Yes, sir.

In that connection, that is, in connection with old age, I would like to get something into the record. There has been a great deal of comment about the high recipient rate in our State. And we must admit it is high. It is the highest in the country. It is about 80 percent.

Senator KERR. The highest what?

Mr. HIGGINS. Recipient rate in old age. It is the highest in the country.

However, I believe when you study the economic and social structure in our State over a period of years, and when you face the fact that we are a very poor State, that we have a very large colored population, it does not strike you as quite as startling as just the mere fact that 80 percent of our people over 65 are getting old-age assistance. We ran quite an intensive study of the people in that category getting assistance and were very startled to find that 57 percent of those people had absolutely nothing at all whatsoever. They had no money in the bank, they had no insurance, they didn't

own the home in which they lived, they had nothing. Thirty-two percent did own the home in which they lived. The assessed value of that home on the average was $478.

Senator MILLIKIN. What is your percentage of assessment in Louisiana to full value?

Mr. HIGGINS. Well, it varies, Senator. It is supposed to be at full value. Most of the parishes, I think, probably assess anywhere between 60 and 80 percent.

Senator LONG. Might I add at this point, however, that on valuations under $2,000 there is every conceivable pressure for the assessor to assess it upward, because the State has homestead exemption up to $2,000. So that means the individual does not pay taxes on it, and it means the State government reimburses the parish for what that would be. So that the trend is overassessment up to $2,000. Over $2,000 the trend is in the other direction, because the taxpayer would have to pay that personally.

Mr. HIGGINS. That is correct. And there is 98 percent of the homes in which these people live that get old age assistance that are assessed for under $2,000.

Senator MILLIKIN. What percentage of your population is colored?

Mr. HIGGINS. About 38 to 40 percent is colored. It might be of interest to the committee, in that connection, that of the 38 to 40 percent colored population, of our old age recipients 45 percent are colored and 55 percent are white. So we have a few more of the colored getting the old age pensions than white, on a direct population ratio.

Senator MILLIKIN. I see. Before you finish, would you mind telling us something about your agricultural system in Louisiana, sharecropping, and something of that kind, as to size of average farm and principal crops?

Mr. HIGGINS. The average farm is very small, Senator. I do not know offhand the average acreage. I would say maybe 10 or 20 acres would probably be it. We do have some rather large farms, something left over from the old plantation system. But the usual run of farmer in our State does not make very much. We have very big cotton, rice, and sugarcane——

Senator MILLIKIN. Is that the dominating part of your agricultural economy?

Mr. HIGGINS. Yes. Most of them do truck farming and that sort of thing.

We believe, of course, that full coverage is the solution to our problem in the years to come in this old-age category. We have not heard any overwhelming enthusiasm, as Mr. Child mentioned this morning, from the farmers for it; nor have we heard anything contrary to it.

Senator KERR. Has it been an issue which the average farmer has contemplated might be made applicable to him?

Mr. HIGGINS. I would say, Senator, that most of the farmers at this point are not too cognizant of the issue.

Senator KERR. Has it not been thus far something which both the average nonfarmer and the average farmer have considered was not immediately of concern to him, by reason of the probability of his early coverage by the program?

Mr. HIGGINS. I would say "Yes," Senator. I think that most of the farmers have been more interested in the immediate effects of price supports, rather than in the long-range planning of economic security and old age. I think that the farm element is now beginning to see this problem in its entire light; and from what I can understand from the resolutions that have been adopted on a national basis by the Grange and the Farm Bureau, I think that most of the farmers do want to come under the plan if it is not too burdensome from a record keeping or administrative standpoint.

Senator MILLIKIN. Do a lot of your farmers on these small farms work part time off the farm, in the neighboring towns or cities?

Mr. HIGGINS. Not very much of that, Senator. You see, our climate is pretty mild, and most of them can do something pretty much the year around. There is some of it, but not to any considerable extent. For instance, there is Senator Byrd's problem.

I would like to point this out: In my opinion, when we are considering increased benefits under the old-age and survivors insurance program, we should very carefully analyze and determine upon a reasonable benefit payment for two reasons. One reason is that if we do not, and if the cost of living continues to increase, then the pressures are going to again become very strong in the States to give assistance to supplement the old-age and survivors insurance payment through the assistance programs, which is the very thing we are trying to get away from. I think the fact that the payments were geared to the cost of living back in 1935 and 1936 and have never been changed upward is one of the factors responsible for the very great pressure in the States today to give adequate assistance through the-old age assistance programs.

I would also like to suggest the consideration of a formula of some kind which would gear benefit payments to purchasing power or cost-of-living indexes rather than flat monetary amounts. There is no indication that, let us say, $30 or $40 today will even be a decent living 15 or 20 years from now; or, conversely, it may be an overpayment—depending upon the actual purchasing power of the dollar at that time.

Senator KERR. To the extent that you enter into that realm of operation, you would be leaving the realm of actuarial insurance operation, would you not?

Mr. HIGGINS. Yes.

Senator KERR. As this program is now set up, and as it is contemplated, it is figured to be on the basis of an insurance program. As such, it is regulated by actuarial considerations and formulas. Now, any time that you have begun to do what you are talking about, you would be departing from that standpoint and moving toward another, would you not?

Mr. HIGGINS. That is right, Senator. Of course, I go even further, in my own thinking. That is, I believe that all contracts of all personal types should also be geared to that sort of thing.

Senator KERR. You mean regular insurance contracts?

Mr. HIGGINS. Yes, sir. I see that as a possible stabilizing factor in the entire national economy.

Senator KERR. No insurance company could do that and hope to survive, could they?

The CHAIRMAN. I take it you would like to see the dollar stabilized.

Mr. HIGGINS. Well, that is the crux of the matter. Yes, Senator.

Senator LONG. Is this not true, Mr. Higgins: That when you have assistance of a type such as ours in Louisiana, with your welfare program geared to a sales tax, when the purchasing power goes down the tax money goes down, and when the purchasing power goes up your tax receipts go up; so in one respect you can expect the amount of money that you have available to decline at times when the prices are going down, and on the other hand when prices are going up you can expect to have more money available to use?

Mr. HIGGINS. Well, that is true, Senator, except that usually in times of declining prices you have your biggest demand on your public welfare agencies for assistance. So it is true that you may be able to reduce grants; but you may not actually have the money that is needed, because of that fluctuation in your sales tax.

Senator MILLIKIN. You have a great deal of difficulty with this purchasing power formula, because everybody wants to play with it as the dollars go up, but everyone gets rapidly disgusted with it as the dollars go down. You find it in the whole field of labor relations, where that has been tried, and there is a lot of complaint when the number of dollars lessens.

Mr. HIGGINS. Yes, Senator. Of course, I think the most practical solution to the problem is the one that has not been taken up to this point, and that is a periodic reexamination and readjustment of benefits.

Senator KERR. As the chairman so pointedly indicated, any stabilization toward the goal which you have referred to would have to be toward stabilization of the dollar.

Mr. HIGGINS. In connection with the fourth category, in which we have asked for a consideration of a more liberal nature than is presently in H. R. 6000, I would like to come back for a moment to these causes of disability that we experience in our fourth category. Forty-five percent are heart conditions, 15 percent are mental and nervous conditions, that is, feeble-mindedness, epilepsy, paralysis, and that type of case, and 9 percent are arthritis and rheumatic conditions, 8 percent are respiratory, including tuberculosis, lung abscesses, and asthma, and 10 percent are the spastics, polio, and that sort of thing, which account for approximately 84 percent of our case load.

Senator MILLIKIN. Are you especially high in any of those categories?

Mr. HIGGINS. Well, the largest is the heart, with 45 percent.

Senator MILLIKIN. But relative to other States?

Mr. HIGGINS. I do not know. I have no figures. Well, let me put it this way: The States do not, as far as I know, have any real common base in this category. Some of them do have assistance for unemployed. Now, we do not have any system in Louisiana as to assistance for unemployed people. This is just for the unemployables.

Senator MILLIKIN. I do not think my question has any real relevance. There are national statistics on disease, State by State, and that is where I should look.

Mr. HIGGINS. I should think, from some other figures I have, which show that the need because of disability in that category is very closely tied into age, would be a common factor throughout the country wherever you have that same type of category of State assistance.

For example, in October of 1949, out of a total case load of about 25,000, which we had at that time, at age 20 we only had 60 cases of the physically disabled. At age 40 we had 219. At age 50 it had gone up to 476. At age 55, it had gone to 903; at 57, to 1,243; at 60, to 1,460; at 61, to 1,902; and at 64, to 1,980. So there is a definite corollary there between disability and advancing age, particularly after you get into the fifties. That is where we have our bulk, particularly between 55 and 65. That is where we have the greatest need for assistance in that fourth category.

The CHAIRMAN. On that point, or before you leave it at least, do you have much trouble in administering the disability provision in your law? You have it now, I understand.

Mr. HIGGINS. Yes, sir.

The CHAIRMAN. Do you have a great deal of difficulty there?

Mr. HIGGINS. No, Senator. We do not have any great difficulty. We have required medical certifications, and presently in 15 of our parishes or counties we have what we call examining boards. Those are panels composed of three doctors. We are working with the medical association in those particular parishes. We have periodic meetings of those three doctors, and the people who are applying or who have received it—we are going back in our case load—are referred to these physicians. That is not the case, of course, where a person is bedridden. But if there is any question of whether they are sufficiently disabled, they are sent to this board. Those examining doctors spend an afternoon and possibly examine 15, 18, or 20 people, depending upon the type of examination necessary.

We have found that that has been very, very effective. The doctors like it, because they have the experience of having all of these people coming before the three of them. We have arranged with the medical society in each of the parishes to actually handle the details. They assign the doctors, and they handle it all. We pay the doctors for their services. And we have found in this experiment up to this time that we are getting very, very good medical examinations. In fact, the doctors have become very interested, and actually in many cases they are carrying on plans for rehabilitation. They have referred certain people to us that are temporarily disabled, but with this type of medical care they can be rehabilitated. So we are getting more from the medical examining board than just the statement that this man is unable to work or he is able to work. We are getting their full cooperation in that plan.

And that is why we believe that it would mean very much to us in Louisiana if we could get Federal matching in a broader respect than just total and permanent disability; because we believe we have done something by which we can really do a job of rehabilitation, and we can work it through direct channels with the medical societies.

Senator MILLIKIN. The literature, the reports that we have, indicate that there is quite a little difficulty in determining this total disability question and the permanent disability question. Do you think you are meeting that pretty well in Louisiana?

Mr. HIGGINS. Well, our experience is confined mostly to the type of case that is not able to provide for themselves, because of a disability, as of this time. We do not go into the question of whether it is total or permanent. I think when you get into the realm of totally and permanently disabled, then you do have probably many more administrative difficulties than you do in the type of case we have.

Senator MILLIKIN. There is probably some reason that is right in front of my nose but I cannot see, and I suppose somebody will make it clear and put the dunce cap on me, but I do not see why they couple "permanent" with "total" disability. I just cannot see the angle of permanency there. Your social probem is precisely the same if a man is totally disabled for a month or 6 months. His problem is precisely the same as if he were truly permanently disabled. I mean, that is the way it looks to me. I hope that someone will give me some enlightenment on it.

Mr. HIGGINS. That is exactly my point, Senator. I cannot see why a person who is permanently disabled is any more entitled to help than a person who is temporarily disabled. I mean, you still have an immediate problem. In fact, the person who is temporarily disabled in many cases can be rehabilitated and put back into the labor market.

Senator MILLIKIN. You might figure that this temporarily disabled man may have some reserves of some kind that he could call upon which would tide him over during a temporary disability. But generally speaking, I would like to get, in this hearing, some enlightenment as to why we do couple "permanent" with "total."

Senator LONG. Is it not true that all disability is a relative proposition? You just made a point a few minutes ago that when you have a light labor market, the pressure becomes greater and greater on your disability claims, because people who may be hired for some minor work at the time when the labor market is very tight are unemployed and completely unable to find employment, through no fault of their own, as soon as labor becomes generally available.

Mr. HIGGINS. That is correct.

Senator LONG. And by rights it would seem to me that those people should be considered for aid if there is no employment available to them and no way they could make a living.

Mr. HIGGINS. That is right. And I think your bill covers that point very well, and it also stresses that they must be in need.

This point you made, Senator Millikin, is taken care of. If they have resources to take care of them over their temporary period, they are not eligible. If they have no resources, of course, and are in need, then they are eligible for that assistance.

Senator MILLIKIN. I think that everyone that has tied this thing up with insurance has emphasized that you have got to hold it down very severely or you get your system full of malingerers, and you have an increasing tendency toward liberalizing your interpretations, and finally the whole thing will bog down. We will ultimately come to that in these hearings when we get to that feature of the bill, but I have been very much interested in what you say as to the way you work it down there in Louisiana.

Let me ask you specifically: Have your doctors been subjected to political pressures?

Mr. HIGGINS. No; not at all, Senator.

Senator LONG. Have you not had this situation: that prior to the time you started having these examining boards, there was pressure on the family physician to certify a man?

Mr. HIGGINS. Yes. Many of the doctors have stated that it does place them in a very difficult position, when a man or a woman 50 or 54 years old comes to them, and they treated that person for years and years, and the person is sick. As one physician said, "Usually at

that age you can find enough wrong with a person to honestly certify that he is unemployable."

Now, this medical examining board takes that out of the realm of the family physician and puts it into the panel. And they feel very free and are very well satisfied with the arrangement.

Senator MILLIKIN. It seems to me like that is an improvement over what you were talking about, Senator.

Senator LONG. Well, that is how it is administered in Louisiana at the present time.

The CHAIRMAN. All right, Mr. Higgins. Will you proceed?

Mr. HIGGINS. I would like to just conclude. We believe that while the actual administration of the public-assistance program is the responsibility of State and local government, the Federal Government has a clear-cut responsibility to give over-all leadership on a national basis and to extend financial aid to all of the States in a joint endeavor to fight insecurity, poverty, and sickness, and all of their resultant social evils, and to provide an effective framework of protection for our people against the corroding fear of economic insecurity.

The CHAIRMAN. Any question?

Senator Long, do you have any question?

Thank you very much, Mr. Higgins. Thank you for your appearance here.

Mr. HIGGINS. Thank you.

The CHAIRMAN. Mr. John H. Winters, director of public welfare, State of Texas?

Mr. Winters, you may have a seat. I see you have here with you Mr. Wilson, who is assistant director. Is Mr. Wilson with you?

STATEMENT OF JOHN H. WINTERS, DIRECTOR OF PUBLIC WELFARE, STATE OF TEXAS

Mr. WINTERS. Yes, he is.

The CHAIRMAN. Do you wish to have him come around at this time?

Mr. WINTERS. I would like him to talk about the child-welfare provisions, very shortly, after I talk about the others.

The CHAIRMAN. All right.

Mr. WINTERS. I am John H. Winters, director of the Texas Department of Public Welfare, where I have been for some 6½ years. We are pretty greatly disturbed about this whole pension question. We are particularly disturbed about who is going to pay this pension to our farmers when everybody else gets a pension from his employer or from somebody else.

Senator KERR. Do you refer now to the pension as such or to the insurance payment, Mr. Winters?

Mr. WINTERS. The thing, Senator, that is disturbing to us is that we are an agricultural State. And I do not know just what the percentage of our population in that field, our farm population, is, but it is rather high.

Now, we are in the position of paying pensions every time we buy anything, as the cost of doing business. Every time our east Texas farmer buys a plow point for the old turn-in plow, he has to pay a little extra to the steel manufacturer on their pension program. It is in the product. It can't be anywhere else. Every time he buys anything that is manufactured, it is necessary to pay the cost of the insurance to the people who made that product.

Now, our farmer has no employer to turn to in order to get his pension. And it seems to me that we are going to be faced, in Texas and throughout the agricultural States pretty generally, with a tremendous pressure from those people who do not have insurance coverage or pension rights for straight flat pensions paid out of the current revenue. And, when we have that, it is going to be pretty difficult to finance in times of depression or stress, which I am afraid we might have one of these times.

I think if we have adopted in this country—and I think we have accepted it—that we are going to take care of our old people, it seems——

Senator KERR. May I interrupt you for just a moment?

Mr. WINTERS. Yes, sir.

Senator KERR. So far as I am concerned, I would understand what you had in mind better if you referred to the over-all program in two different categories. One is the pension program or assistance program, where they pay something to which they did not contribute. The other is a retirement or insurance program, being one that they had helped develop themselves.

Mr. WINTERS. Yes, sir. I was getting to that. As we have it now, of course, all that our people have to depend on, our agricultural people, is the assistance program. There is no insurance program. There is no employer that they can go to and demand that he pay a pension, or insurance, or anything else. All they get has to come out of the general revenue that is collected every year.

When everybody else in the industrial North and East and all those in manufacturing have their retirement from old-age and survivors insurance, I am wondering what effect it is going to have on that farmer, when he has only assistance to fall back on. And I am wondering how much pressure he is going to be putting on his local elected representatives not to pay him assistance but a flat pension out of the general revenue. And I think it could be a pretty serious proposition from the standpoint of financing.

Now, it seems to me, since we have the retirement system of old-age and survivors insurance, it should be extended to everybody; so that every person, the farmer, the farm laborer, the so-called self-employed, could be building up for himself an actual pension, because he has contributed to that pension through old-age and survivors insurance.

Old-age and survivors insurance, as a matter of fact, amounts to very, very little in our State. We are paying something over $7,000,000 a month in assistance.

Senator MILLIKIN. Would you mind if I interrupted you for just a moment?

Senator, may I ask Mr. Cohen a question?

The CHAIRMAN. Surely.

Senator MILLIKIN. Mr. Cohen, have you collected any statistics which would show the number of former self-employed who are on the assistance rolls?

Mr. COHEN. No, Senator; we do not have any figures on what the previous status of these 2.7 million people are. We rather think, from the studies that we have, that a very large part of them come from rural areas, which would seem to indicate that they were either farmers or farm hands.

Senator MILLIKIN. You see, my point is, Mr. Cohen, which I am sure you appreciate, that when we get into this field of either assistance

or insurance for self-employed, we ought to have some basis of the need for it which would find itself in facts of the type I am trying to get, if we have them. In other words, how many people are over the age of 65 or in need of assistance, or in need of insurance, who were self-employed during the major part of their earning years.

Mr. COHEN. I will check on that, Senator. We may have something by some particular States, or something from one of the earlier censuses.

Senator MILLIKIN. I would like to have anything you have on that. I think it would have a very important bearing on this phase of your business.

Pardon me for interrupting.

Senator KERR. Just one word, there: You would estimate that a majority of the rural or agricultural people come within the category of employee rather than employer; would you not? If you are talking about covering the farm workers, most of them are either totally or in part employed?

Mr. COHEN. Well, of the group in the farm population, around 5 or 6 million peple a year are owners or operators, but only about 2 or 3 million a year are farm hands. Now, the difficulty is that some are both, of course. But roughly, in the course of a year, there are about twice as many who are so-called self-employed farmers as there are farm hands.

Senator MILLIKIN. I think our census statistics would give you the figures on the number relation of farm proprietors as against farm workers.

Mr. COHEN. Yes.

Senator MILLIKIN. And I think the more we can get on that, the better.

Mr. COHEN. That was brought out this morning, and I thought we could get you a table on that, which would show that.

Mr. WINTERS. The thing that I had in mind is that it seems to us, who administer the program, knowing our territory and knowing the type of citizenry we have in the various counties, that the old-age and survivors insurance is not doing us very much good as it is now. And I am afraid it is not going to do much good unless it is extended to other people, who are not now covered.

I say that because we are paying assistance to 220,000 people in our State, a little over $7,400,000 a month.

Senator KERR. That is total, State and Federal?

Mr. WINTERS. That is both; that is correct. At the same time, there are about 30,000 people in the State who get old-age and survivors insurance benefits of about $800,000 a months; 7¼ million in assistance and $800,000 in old-age and survivors insurance.

Senator MILLIKIN. How much Federal revenue does the State of Texas contribute every year?

Mr. WINTERS. I couldn't answer that one. I couldn't answer it, Senator.

Senator MILLIKIN. You are paying for it, in either event, whether it is out of insurance or whether it is assistance. We don't create any money down here. We take it away from you, and we then give it back to you after the deduction of a considerable brokerage.

Senator KERR. Now, Senator, do not be too sure that they do not make something down there. Do not be too sure that if you made a

search you would not find something in Texas, because that is a big State.

Mr. WINTERS. The point is, Senator, that we have a real fear that if you get all of your industries covered under insurance and leave out the farm people and the self-employed, such as we have, where we have such a large percentage of them, we will be alone in trying to get money for assistance. Do I make that clear?

The CHAIRMAN. Yes; we get that.

Mr. WINTERS. I would hate for us to have to come up here and have all the Northern States say, "It is just a bunch of these Southern States up here trying to rob the Treasury, because they are not willing to do anything for themselves." What I am trying to say is: Let us pay our insurance tax just like everybody else, and let us get the same benefit based on the wage, or the income, that the person had during the years. I think it would be a much sounder system, one much more acceptable to the people. I think it would be much more acceptable to them, because nobody likes—and we, in the administration of these programs, do not like—to go around prying into people's business, getting into their secrets. If they had their fixed benefit coming to them as a matter of right, based upon what they had contributed, I think it would be much preferable to handing it out in the way of assistance, with one person saying to another person what he could have and what he could not have.

Senator MILLIKIN. What is your per capita income in Texas?

Mr. WINTERS. $1,118, I believe, for a 3-year average, 1946, 1947, and 1948. A little less than the national average at that time, which was a little over $1,300.

Senator MILLIKIN. The figure might be somewhat misleading; might it not? Because I imagine that average reflects the tremendous wealth of a limited segment of your people.

Mr. WINTERS. I think, Senator, that is a point that you cannot overlook in talking about our State in particular. We have some tremendous incomes. One fellow with a million-dollar income offsets a whole lot of fellows with a hundred-dollar-a-year income, you know, and brings the average up.

Senator MILLIKIN. I was thinking about that.

Mr. WINTERS. So actually the income of the great mass of the people is rather low.

Senator MILLIKIN. I think perhaps you would have that in a sharper form in Texas than in perhaps any other State, and I think it ought to be taken into consideration.

Mr. WINTERS. I think perhaps that accounts for the relative increase in our position with regard to the national average in the last few years, due to the increase in the price of oil and such.

Now, for instance, just let me give you a figure on one congressional district. It happens to be Mr. Rayburn's district, with seven rural counties. In June of last year, there were 1,106 people that got $20,000 in old-age and survivors insurance benefits.

The CHAIRMAN. Give me that again.

Mr. WINTERS. That is Congressman Rayburn's district, District 4. It is a rural district. There are 1,106 people that received $20,220 in old-age and survivors insurance benefits. The average was $18.28. The same month we paid to 12,410 persons on old-age assistance in those same counties $428,100.

Senator MILLIKIN. Mr. Fauri, if I may interrupt you, shows me a table entitled "Summary of Internal Revenue Collections, Year Ended June 30, 1948, by States and Territories," in which the State of Texas is shown as putting in $1,235,000,000.

Mr. WINTERS. That is quite a sum.

Senator MILLIKIN. It is not hay.

Mr. WINTERS. No, sir; it isn't hay.

Senator MILLIKIN. So you are paying a lot of the share of a lot of things.

Mr. WINTERS. Yes, sir. It still leaves a lot of awfully poor people in our State. We have, as do a lot of other States, a lot of timber-cut-over land. We have a lot of farmed-out land that they are trying to rebuild. Some of the land is pretty poor, and I don't know how anybody makes a living on it. And as a matter of fact, the living is pretty slim on a lot of that land, in the sections of the State that have been farmed the longest, and where the soil has been washed away. And we are going to have, in that group, in that farm group, lots and lots and lots of them on old-age assistance. Now, certainly we have, in other sections of the State, as the Senator from Oklahoma knows, in the wheat section of the State, big farming, big operations, and it is entirely different. But that is only a small section of our State.

Senator KERR. It is a big area, but a small percentage of the State.

Mr. WINTERS. That is right; a small percentage of our total farming operations in the State.

Now we think a method of financing is a serious matter, and in our welfare board—and I think it is generally accepted by our Texas Legislature—we think the insurance principle is much to be preferred over the assistance principle. I would like to see it extended to all persons employed. I realize there are some difficulties in administration that might have to limit it at first to those that pay an income tax. That would get a lot of people, a lot of farm tenants, a lot of farm laborers, if you did not want to go all the way. But certainly those that had to file an income tax anyway we could surely get. And we could help to relieve the tremendous pressure that there is on old-age assistance.

In our State, 90 percent of our money goes to three purposes—roads, education, and welfare. About 25 percent of our total expenditures—now, that is State and Federal money—of the total money expended by the State government, is for our welfare purposes, the three categories.

Senator MILLIKIN. What percentage?

Mr. WINTERS. About 25 percent. That is second only to education in our State.

Senator KERR. What is your State tax in revenue?

Mr. WINTERS. Last year we spent $450,000,000 in the State.

Senator KERR. Of that amount, what part was Federal contribution?

Mr. WINTERS. Well, in that $450,000,000 total, I could not answer that accurately, Senator.

Senator KERR. Would it be principally in the field of welfare and highways?

Mr. WINTERS. Principally in the field of welfare and highways. In welfare it ran about $62,000,000, as I recall.

Senator KERR. If it is seven and a half million a month, that would be $80,000,000 million a year.

Mr. WINTERS. Yes. You see, we spend some ourselves.

Senator KERR. And as I understand your testimony, that is old-age assistance?

Mr. WINTERS. That is right.

Senator KERR. That does not include the dependent children and the blind.

Mr. WINTERS. What that, it runs over $100,000,000 a year that is spent through the department of welfare.

Senator KERR. Highways?

Mr. WINTERS. Highways are about the same, about 1 percent. I believe last year about $112,000,000 was the total for highways.

Senator KERR. Then probably, of the $450,000,000, $110,000,000 or $115,000,000 is federally contributed, and the rest of it is State revenue?

Mr. WINTERS. That is probably about right. I did run the figures the other day on the actual expenditures last year. It was $444,000,000. And of that, $414,000,000 went for roads, welfare, and pensions - including our Confederate pension, which is very small—education, and for the support of the eleemosynary institutions, leaving only $30,000,000 for the rest of the operation for the State government.

The thing that worries me, though it may not be valid, is this: Our farmer, every time he buys anything, does help to contribute through the purchase of that item, to somebody else's retirement through old-age and survivors insurance or some other pension system. And then we have to tax him in Texas over again to pay his own retirement in the form of old-age assistance.

Senator KERR. Much of your money in Texas comes from the State ad valorem tax, does it not?

Mr. WINTERS. No, sir; none of it.

Senator KERR. Does it not come out of your State money?

Mr. WINTERS. That is partially correct. We passed an omnibus tax bill in 1931.

Senator KERR. Is not all of your revenue out of a general fund in Texas?

Mr. WINTERS. No; an omnibus tax-clearance bill, which is very close to a general fund.

Senator KERR. Does not your money go into a general fund, though?

Mr. WINTERS. Yes. But back in those days, when the bill was passed, we were doing a little deficit financing down there. But old-age assistance had to be paid in taxes. So in passing a tax bill they set up a clearance fund, into which the money from those particular taxes would go. That was an increased tax on oil and gas and sulfur and a great many other things. It goes into the clearance fund, and then there are provisions made directly out of that clearance fund for various purposes, with the provision that anything that is left over goes over into the general-revenue fund.

So it is almost a general-revenue matter, and it was only a device set up so that assistance checks might be paid in cash, and not discount warrants, as was done at that time, out of the general-revenue fund.

Senator MILLIKIN. We collect Federal income taxes from farmers, and a part of that goes back for public assistance. So that he pays again from that aspect of it.

Mr. WINTERS. That is true.

Senator KERR. I would like to know if you could tell how your farm people themselves feel about that.

Mr. WINTERS. Sir, I would only be able to answer that in terms of individual farmers that I have talked to. I would say that a great many of the people in Texas think that they are paying it now. I know I get letters every day. They think it is all one and the same thing. It is just old-age pensions to people back out in the country very often. They make no distinction between old-age and survivors insurance and old-age assistance. We get letters from sons, "Why can't my parents get that?" They say, "I am paying every month out of my check for that very purpose." Now, when it is explained to a farmer as to what it is, he is in favor of it. Because farmers buy other kinds of insurance. They are just like everybody else. And it is just nothing in the world but group annuity insurance, as I see it.

I think he is going to be sadly disappointed when everybody else has a pension and he has to have a welfare worker inquiring into his business to see whether he needs it or not. And his neighbor has his pension, whether he needs it or not, because he has earned it and laid it aside for that very purpose.

Yes; I think he would like to be in on it. I can't speak for the farmers. I have no right to. I can only say what I know about those that I have personally talked to, which has been a great many.

Senator MILLIKIN. Do you have an active farm-bureau organization in this State?

Mr. WINTERS. It is getting pretty active right now.

Senator MILLIKIN. And your Grange?

Mr. WINTERS. They have not been as active. The union has been active, but the others have not been too active until quite recently.

Senator MILLIKIN. Have they made any resolutions?

Mr. WINTERS. They have not had any meetings lately that I know of, Senator.

Senator MILLIKIN. None of those organizations?

Mr. WINTERS. That is correct. Our operations in Texas are strictly State-financed and State-administered. There is no local money going into the three categories now. On the other hand, the total and permanent disability assistance is strictly county financed.

Senator KERR. That is the fourth category?

Mr. WINTERS. The fourth category. It is very inadequate. It would take a change in our constitution to allow the State to appropriate money—at least, that is what some have held—for a program for the handicapped. Three times there has been passed through the House of Representatives in Texas a proposal to set up that fourth category for total and permanent disability. Twice it has been passed on the local and uncontested calendar. It has not received any action in the Senate. It would take a change before we could take advantage of it if it were created.

I think it is a program that is very badly needed, because, as Mr. Higgins said, a man who is flat on his back with both legs off and an arm off is certainly in as bad shape as an old gentleman 65 years of age but in perfect health; and he needs help as badly as anybody. We have even that extreme case, as everybody else does—people who because of those disabilities just plain haven't got a chance in this world to make a living for themselves, and they are an object of

charity around the local community. I believe that some assistance should be granted to those persons, to the point where they could live in some measure of security and decency. I think our State would go along with it.

I might mention this: Some comparisons were made this morning between an agricultural State and some of the northeast industrial States; I believe they were made by Mr. Child. This last year—1949—based on the estimated population, social-security benefits amounted to 11 cents per capita. The old-age assistance amounted to a dollar, making $1.11 payments. Up in the seven industrial States—Connecticut, Delaware, Maryland, Massachusetts, Pennsylvania, New Jersey, and Rhode Island—and of course, we picked out seven where we would look the best by comparison——

Senator MILLIKIN. Well, I have lived to see the day when somebody would say that. That is a remarkable declaration, and I compliment you.

Mr. WINTERS. But they are industrial States, and we are a rural State. And where our OASI payments amounted to 11 cents per capita, theirs amounted to 56 cents per capita. But where our old-age assistance payment amounted to a dollar per capita, theirs was only 59 cents.

Now, when you add the two together, you get $1.11 for us; and you get 56 cents and 59 cents, which makes $1.15 for those States. That is what the old people were getting. The load was on old-age and survivors insurance and not on the assistance program, where there is industrialization and thereby high coverage. We have very low coverage and therefore very low payments. The old people are getting the same money there as they are in our State, but they are getting it from the insurance rather than the taxes out of the current revenue. And I think the insurance principle is much to be preferred.

Senator MILLIKIN. I think you would find the principle to be the same even though you had not been so careful in your selection.

Mr. WINTERS. I think that is true.

Senator MILLIKIN. I think your point is sound.

Mr. WINTERS. Thank you, sir.

The CHAIRMAN. Any questions?

Thank you very much.

Mr. WINTERS. Thank you. And I would like Mr. Wilson to discuss another aspect of it.

The CHAIRMAN. Mr. Wilson?

STATEMENT OF H. C. WILSON, ASSISTANT DIRECTOR OF PUBLIC WELFARE, STATE OF TEXAS

Mr. WILSON. I am Herbert C. Wilson, assistant director of public welfare in the State of Texas.

I would like to talk with you just a few minutes about only one part of this bill, and that is part III. It is something that has not been talked about too much today. That is the matter of child-welfare services.

Now it seems to me that in our whole social-security scheme one of the basic things that we should at least be concerned with is our underprivileged or deprived children. And I am afraid that they are left out, too often, because of these major issues that have required so much of your attention today.

Senator KERR. Let us say more pressing needs.

Mr. WILSON. More pressing, perhaps, because of numbers of people, money involved, and the tremendous interest in it.

Again you have the Farm Bureau, shall we say, and labor unions, and others, who can appear in behalf of the things that are more pressing; but no particular group, organized group, to come in and talk for these little kids that I want to talk with you about at this time.

Now, I am not thinking of the child who has protection and care through his own family. If his family is able to give it, that is what comes first, and they should. Neither am I concerned with the child who is able to get that care and protection through some private facilities. If there is a religious organization, a fraternal order, that is available to give service, whether it is institutional or otherwise, to that child, then technically we are not concerned with the State attempting to give service to that child. And certainly there is no conflict down there between the private agency and the public agency. Because all of us have plenty of territory to operate in, and there is plenty to be done.

But I am thinking particularly of some of the children that we do run across there. There is this mother who goes out to work and has no place to leave her children while she works. Now, she needs somebody who is competent and skilled in helping her work out her problem, so that she can go into the labor market or can make some contribution to the support of her own children.

I am also reminded of some small children who are locked in their house. And this actually happens. Children 4 or 5 years of age are locked in their house while mother goes to work during the day. I have in mind particularly one case of a little boy who was declared a juvenile delinquent at age 10. And when you look into his history, the record says that his delinquent tendencies started at the age of 4 years, when he was left at home to take care of his 2-year-old sister. That is the type of youngster, the type of kid, that I want to present to you in terms of the provisions of this bill.

In Texas our child welfare service program operates in the main through 10 county child welfare units and 9 regional offices. Now 10 counties out of the 254 in our State have this service, and that is all.

Senator KERR. Locally financed?

Mr. WILSON. Jointly financed, State, Federal, and local, the local unit of government putting up money for foster care and direct care to the children, and the State and Federal funds being used for personnel, pretty largely, to administer those units. The demand for additional county units is pretty great, and with some more money, with additional money, we would be able to establish other county units. The citizenry are demanding them. The courts are looking more and more to us for this service, and it is a problem that they are not able to handle locally, because the county is not large enough, is not sufficient.

Senator MILLIKIN. That is a thing that I am greatly curious about. Why is this particular problem beyond the resources of any State?

Mr. WILSON. Well, I think it is no more beyond the resources of any State than your old-age-assistance problem is.

Senator MILLIKIN. It is not as large.

Mr. WILSON. It isn't as large; except that it seems to me that our Federal Government has a stake in these youngsters, the same as they have in the old people, for example.

Senator KERR. Does it not sometimes work out this way: That when your lawmakers find out that they have funds available for appropriation, the pressure on them is so great from so many sources capable of putting greater pressure on, that the funds are exhausted before they get to the consideration of the problem that you now refer to?

Mr. WILSON. I think that is true, Senator. I surely do.

Senator KERR. And do you not think that is true generally over the Nation?

Mr. WILSON. Over the Nation I think that is generally true. And I think that the proof of that, the proof of the value of the Federal Government's taking the lead on this thing, can be cited pretty well as to what has happened under the social-security program in this country. Our State is now appropriating out of the State treasury more than five times as much money for child-welfare services as they were when the first Federal grant-in-aid came down. In other words, it has encouraged and stimulated an interest in kids, and the communities themselves, and the State itself, have been encouraged and stimulated to do something about these problems.

Senator MILLIKIN. Would there be an unwillingness locally to assume the burden if the Federal Government were to cut off all of its aid in that particular?

Mr. WILSON. A good many communities would assume it all, Senator. A good many could. A good many would have nothing.

Senator MILLIKIN. But would not the State, in that kind of a case, the State as such, have a residual responsibility before it comes to Washington with a second-degree residual responsibility?

Mr. WILSON. I think so, ideally, Senator. But that is not the pattern that we are following, apparently, in this country these days.

Senator MILLIKIN. I am a State's righter, and I vote that way when it hurts. But I must say that I am shocked by a lot of these things that reflect themselves in matters that you are talking about.

Mr. WILSON. We would like to have back a little of that billion dollars that came up from Texas for our kids.

Senator MILLIKIN. That is what everybody wants, and it has knocked State's rights into a cocked hat.

Mr. WILSON. I think you are probably right. But as long as it is going the way it is, I at least would like to put in one little plug for our kids.

One other thing, Senator: I would like to think of this Federal Government as a Government of the people, by the people, and for the people, and that the people have just the same right to come to their Federal Government as to their State government.

Senator KERR. You think the Federal Government belongs to the people just as do the State governments?

Mr. WILSON. I incline to think so, sir.

Senator KERR. I think that belief is getting kind of prevalent, and I concur in that conclusion. I think the people on all three levels of government belong to one just the same as the other.

Senator MILLIKIN. I suggest that we used to think that they had different responsibilities.

Senator KERR. Oh, we used to think that the great football teams of the country were all in the North and East. But some of these folks know different now.

Senator MILLIKIN. We used to think that the world was flat.

Mr. WILSON. I should like to point out two or three specific situations to leave with you.

Senator MILLIKIN. What I am really thinking about is in this child field. My goodness, that has an intimate relationship to the parents and the relatives and the neighborhood and the people at home and the local governmental units. It is shocking to me that we have to come to Washington to find a solution to those problems.

Mr. WILSON. Well, I think maybe with a little Federal money, the States could come nearer finding their solution, Senator. And the people are, I think, locally interested in it.

But here is one problem that is facing us down there specifically. That is this matter of children placed in adoption. Now, we have a State law that requires that a copy of all petitions filed in our district courts to adopt children be sent in to the State welfare department, and that the State welfare department has a right to go into those to insure that the best interests of the child are preserved; that is, to report to the judge, to give him a history of the placement, and so on. Last year there were 3,415 petitions filed in Texas to adopt children. Three thousand four hundred and fifteen. Out of that number, 11 percent, or about 375, of those youngsters, were placed by licensed child-placing agencies. Now, our own little division of child welfare in those 19 counties placed 116 of those 375. So you can see the problem that we have there. They are individual placements. There is no way to control it unless we can get service. We have taken the attitude that there is no use going out and condemning gray-marketing in babies as long as you have no service to offer the people to offset it. It costs money to handle babies. It costs money to place babies in adoption. It costs money for maternal care for the unwed mother. And she is going to make a deal with somebody, and she will trade her baby for that sort of care. That is what is going on. I don't think we have much right to condemn her or the public until we have a service to offer.

Now, in that child-placing field, there are only 40 agencies in Texas, 40 licensed child-placing agencies. That sounds like a goodly number. But they are located in six counties.

Senator KERR. That leaves how many counties without any?

Mr. WILSON. That only leaves about 248 without them.

Now, these services get out into those counties, Senator. They say on paper that they do get into the counties with service. But it is expensive, and the expense involved in giving adoption services to rural counties is too much for a private agency to undertake. They are not going to do it.

We have done our dead level best to encourage, rather than to get into competition with, private agencies; to encourage the establishment of children's agencies in, even, towns that, it appears to us, could do it. But again, it is expensive. They have to be financed. It takes money to handle these babies and place them in adoption.

Now, we tried one little experiment that I would like to relate to you, in El Paso County. As you know, that is out in the Big Bend country out on the border of Mexico. That was the setting up of a little program of preadoption study homes, as we call them. There is a Salvation Army maternity home there, and these girls come in from New Mexico and other States to have their babies. The agreement was that our little unit would place all the babies that came

through that home. And it has virtually stopped so-called gray-marketing in that county. Because the hospitals, the doctors, the lawyers, everybody else involved, say, "We will use your services." Last year that little unit alone placed 51 children in adoption. Now, that service ought to be given to some other Texas counties. There are many other counties in about the same situation, that could use it, and would use it with a little help.

The county is putting up a good deal of money out there, and the city, for the operations of that program. And I would like to see that. We would like to see that service extended to a few more counties.

So much for the adoptions. Another big problem with us is the licensing of these so-called private agencies, child-placing and child-caring. There is a State law that requires that the State department license, inspect and license, those facilities. Our last session of the legislature passed a revised, I would say, licensing law. That bill was written by the agencies that would have to live under its regulations. The private agencies came in and actually wrote the bill and pushed it through the legislature.

We licensed 500 last year. There are probably a thousand others that are not licensed, because we do not have funds to employ people to go and do that licensing job.

Probably a more serious problem that I would like to leave with you is the problem of Texas children before the courts. Last year our courts had 40,000 children before them. A good many of those were depedency hearings, custody hearings, and adoption hearings.

Senator KERR. Could you tell us what percentage of those 40,000 were unanchored? I mean, that were not identified with some individual home?

Mr. WILSON. Were not identified with some individual home?

Senator KERR. Yes.

Mr. WILSON. I would say 75 percent of them. These were just broken family homes that they are coming out of.

Oh, you meant not identified with a family home?

Senator KERR. What percentage of them were not even identified with a broken home?

Mr. WILSON. Well, not many of them, of course. Because, after all, they have to be living somewhere with somebody.

Senator KERR. But I am talking about the parents. What percentage of them were not in the custody or care of one or two parents?

Mr. WILSON. Well, probably a small percent were not actually in the custody of one parent. Probably they were with the mother, and in a good many cases the father, but in a pretty bad home situation.

Nevertheless, there were that many brought into court by the police and by the law enforcement officers; not the social agency.

The CHAIRMAN. What age, now, are you speaking about? You say "children."

Mr. WILSON. That would be a child from birth up to 18, if it is a girl, and 17 if it is a boy.

Now, 14,000 out of the 40,000 were actually placed in detention. In other words, they were so-called juvenile delinquents.

Senator KERR. They were delinquent, that is, to the extent that detention was imposed?

Mr. WILSON. To that extent, yes. Now, the remarkable thing about it, the sad thing about it, is that we have a State law that prohibits placing of a juvenile—and that would be this group we are talking about—in jail in Texas. Yet there are only five counties that have detention facilities outside the county jail. So the only recourse available to the peace officer is the jail when he picks up a child.

The CHAIRMAN. What did you do with the 40,000?

Mr. WILSON. I don't know what happened to them, Senator. They didn't all come to us, at all. This is just court records that I am quoting to you now. I don't know what happened to the children.

Senator KERR. Do you know what happened to the 14,000 that were detained?

Mr. WILSON. No, sir, I don't. Some of them were probably placed back with their parents on probation. Some of them went into our training schools. Some of them probably went into some of the institutions.

The CHAIRMAN. What sort of training schools?

Mr. WILSON. We have a training school, the reformatory, so-called, for white boys, negro boys, negro girls and white girls. The population of those schools would probably run in the neighborhood now of 700.

Senator KERR. Each? Or total?

Mr. WILSON. No, total. That is the lowest it has ever been; that is, in the last half or quarter of a century.

The CHAIRMAN. What are the ages in those detention homes?

Mr. WILSON. In the State schools?

The CHAIRMAN. Yes.

Mr. WILSON. That would be our juvenile delinquents, 10 up to 18, for the girls, and up to 17 for the boys.

The CHAIRMAN. That is, not beyond that age?

Mr. WILSON. They are not committed beyond that age. They stay there, of course, until they reach their majority.

Senator MILLIKIN. If the people of Texas were informed, as you are informing us, would the people come to Washington to ask help here to get children out of jail who were kept there because of some petty juvenile delinquency? Do you think the people of your State would not be perfectly willing to assume that responsibility?

Mr. WILSON. Well, it has been laid before them, Senator, a good many times; maybe not as vividly and not as many times as it should have been. But here are these rural counties——

Senator MILLIKIN. I understand that we have some of that in my State.

Mr. WILSON. You have that in other States.

Senator MILLIKIN. The same thought crosses my mind as far as Colorado is concerned.

Mr. WILSON. And you would have the situation of there being such a few children in X county out here, that the county couldn't afford to set that up to handle two or three children.

Senator KERR. I take it you are not asking for a specific law here for Texas?

Mr. WILSON. No; we are in favor of one for the 48 States, that would appropriate more money for child-welfare services; more, even, than this bill calls for. Because, after all, it is only $7,000,000 under the proposal. And that is less, as has been shown here this afternoon,

than is spent in Texas on old-age assistance in 1 month. And this $7,000,000, now, is for the Nation.

The CHAIRMAN. That is for the year?

Mr. WILSON. For the year and for the Nation.

The CHAIRMAN. Now, the social security people and others have suggested increasing that amount to $12,000,000.

Mr. WILSON. I think that is not too much. Now, in our Texas program, Senator, it will take an extra $110,000 just to keep our current operations going; not to increase the services, not to expand them, but to keep our current operations going, after July first.

Well, under the $7,000,000—I am assuming it would be the same ratio as the funds allotted now—Texas would probably gather another $165,000. Well, $110,000 of it would be gone before we start.

To go on with our delinquency situation, there: There are only 22 counties in Texas that have probation officers, only 22. In the other 232, the judge, the district judge in most cases, is the juvenile judge. He is his own probation officer, or he depends upon volunteers or what little service we can give him through the department. And the judges are coming more and more to us, and pressing us: "What service can you, the Department of Public Welfare, give through your Department of Child Welfare to us? Can you settle these cases? Can you settle these adoption particulars? Can you help us on these children that are in trouble with the law?" And we can't. We do the very best we can, but it is limited, and we won't be able to help them much under present situations.

Now, I can see, if we had a competent person, that he could work with half a dozen district courts in our rural sections. This kid today, this one tomorrow, and another one the next day. And he could render a very valuable service. It is not being rendered now.

Senator MILLIKIN. Would the legislature in your State be insensible to what you are saying to us?

Mr. WILSON. I think so.

Senator KERR. I do not believe he understood the question.

The CHAIRMAN. That is to say, would the legislature be indifferent to it? Would they do anything about it if you told them what you are telling us?

Mr. WILSON. They have not done too much about it.

Senator MILLIKIN. You have told them?

Mr. WILSON. We have told them; yes. Again, as you say, Senator Kerr, these other matters have more or less crowded it out. There was not enough money left when you took care of this other thing.

The CHAIRMAN. I am curious to know what you teach these children in the four schools. There are several hundred of them. What kind of courses do you give them?

Mr. WILSON. Those schools happen not to be under the direction or administration of the Welfare Department. Our last legislature set up a Youth Development Council, transferred those schools out of our board of control, which is a physical agency, over to this Youth Development Council. So what will be done under the Youth Development Council, I think, will be a great improvement over the old system. They will be more interested in rehabilitating youngsters and getting them out and back into communities than ever before, because they will have some staff, and the legislature did appropriate additional money for that. But normally, they get the three R's,

the academic subjects, of course, and a smattering of vocational education; the problem being that they are not there long enough to be taught a vocation, the average stay in the school being about 11 months to a year. But it is just mass custodial care in the main.

The CHAIRMAN. Well, that would be better than nothing.

Mr. WILSON. That is better than nothing; yes, sir.

The CHAIRMAN. But you are now dealing with a group to which, the distinguished Senator from Oklahoma to my right suggests to me, should be given special attention. It may not be in this specific field, but surely there is something that could be taught, even in the average of 11 months, in the way of real vocational training, that would rehabilitate many of these people and put them on their feet.

Mr. WILSON. The new approach that the Youth Development Council is taking—they are just getting going; after all, they only came into existence September first of last year—is to try to orientate the youngster to a vocation and find out what type of a vocation he could enter, and then perhaps get into an apprenticeship method of bringing him to the point where he can be taught a vocation. Now, remember, many of these youngsters are 10 or 12 years of age. We would hardly expect them to go into a vocation as yet.

The CHAIRMAN. This should start rather early, particularly if you want to do anything with them as to after life.

Senator KERR. Lots of them are 16 and 17?

Mr. WILSON. Yes. The majority of that group are around 15 or 16 years. But that group, of course, is only, as we said, about 700 children.

The CHAIRMAN. I understand that.

Mr. WILSON. It is very small.

The CHAIRMAN. I understand that. But if the system did permit you to put all of the delinquent children in Texas or in any other State into some training school that would really give them an opportunity to learn to do something, to become independent units in the society, you might have a larger number.

Mr. WILSON. I think there is a better way to do it, Senator.

The CHAIRMAN. Well, there might be.

Mr. WILSON. And under this new law, our State will be authorized to do it. That is to place these youngsters in family homes, foster homes as they are often referred to. Let that youngster go to the public school.

The CHAIRMAN. Yes, I understand that. I was assuming that there was a certain number that you could not place in the homes.

Mr. WILSON. Yes. As to this 700, probably not. But I am concerned now about the 14,000, perhaps, and what is to happen to them, and what might be done to save them from going over to the school, perhaps.

Senator MILLIKIN. Senator Kerr, we have what we call the Industrial School for Girls in Colorado, which does go into the vocational aspects.

Senator KERR. Your city of Denver has one of the greatest vocational high schools in the world. However, it is available only to those children who come within the classification of regular high-school students.

Senator MILLIKIN. There is no aspect of delinquency. It is not a penal institution. It is the direct opposite. As you say, it is probably

one of the greatest experiments in education ever made. But I was speaking specifically to what the chairman was speaking of, and what I understood you were especially interested in: a vocational education to the delinquent during the time that he is in the institution.

Senator KERR. We are being asked for a larger appropriation.

The CHAIRMAN. That is right.

Senator KERR. To support that request, there is being described the condition of an increasing number of youth who need to be reached.

The CHAIRMAN. Yes.

Senator KERR. Some of whom are in families where additional money will take care of them; others of whom are in families where it is very difficult to take care of them in any event.

Mr. WILSON. Money won't answer as to some of these.

Senator KERR. Many can be handled in what you call foster homes, or by adoption into established and desirable family environments. However, in the processing of that great number of youths there is bound to be a very definite percentage who, by reason of lack of attractiveness or character development, it would be very difficult to place in that kind of an individual family unit, where what they need would be available to them. And I have been happy to have the opportunity to discuss with the chairman the development of an idea whereby an increased amount of money, if it were decided to make it available, could be used in the encouragement of the development within the State of that kind of a training environment that would both stabilize the character of these individuals and give them vocational training and direction.

Mr. WILSON. That is exactly what I am trying to say, Senator Kerr. You have said it very aptly and in very few words. There is this increasing problem of what to do with our children and youth, juvenile delinquents. A great deal of money and interest is going into it.

Senator KERR. You said that the provision of this money by the Federal Government will inspire and encourage the States to reach out and expand their effort.

Mr. WILSON. I think it would.

Senator KERR. What would be wrong with providing a part of that money on a basis that would be available only if the States did respond with such a program in that field for that limited percentage.

Mr. WILSON. There would be nothing wrong. In fact, I think it would be one of the greatest things that could be done. I think we have this educational program, here, of getting over to the people, first, the problem, and then the ways of attacking it. And you don't attack it after the youngster is before the court and already, perhaps, into delinquent behavior. You have to get a little back of that. And one of our State Senators made this observation the other day. He said:

> We won't get very far, in my opinion, in this delinquency problem, until we have an enlightened and educated peace officer staff.

He told the story of a peace officer and a youngster who had been accused of stealing an automobile, who happened to be playing on a high school football team. And the peace officer, going on to the field when the game was on, yanked that youngster out and arrested him. He said, "If that youngster isn't a delinquent, he is well on his way to being one." That is what he meant by a training program of

some kind for peace officers. We have done a little along that line in the State. We had an institute, with some 135 people throughout the State; not all peace officers, of course. The State Department paid some experts to come in and lead it. If we had funds to go and hold those sorts of institutes or in-service programs, or whatever you want to call them, with a more limited number, with a more intensive job being done, I think it would be one of the best things that could be done in getting over to the people who have to handle these youngsters at the moment—and that is your peace officers; they are the ones who pick them up—something about the methods of handling children and what can be done, something about the resources that are available when they pick up a 10-year-old boy in their town, and what they can do.

Senator KERR. I think you said that the great majority of the counties of your State have only the county jail as the place where that boy would probably land.

Mr. WILSON. Yes.

Senator KERR. And the shock of that experience is bound to be detrimental.

Mr. WILSON. I have talked with a great many peace officers who have picked these boys up, all the way from a constable up to a hard-boiled Texas Ranger. And the Texas Ranger said, "Give me a 2-gun-toting bandit to go after, and not a kid." They don't like to handle them.

Senator MILLIKIN. Do you have a juvenile court system in Texas?

Mr. WILSON. Yes, sir; with pretty good coverage, the type of system depending upon the population of the area. I think we have 11 or 12 laws of that type on the books.

Senator MILLIKIN. I will put in a plug for my State. We were one of the leading precedent makers in that field, under Judge Lindsey.

Mr. WILSON. Yes; you had a good program out there. I am familiar with part of it.

Gentlemen, that is all the time I want to indulge of yours. You have been patient, and I thank you.

The CHAIRMAN. We thank you very much for your appearance here, Mr. Wilson.

If there are no further questions, you may be excused.

We will recess now until the morning at 10 o'clock.

(Thereupon, at 4:15 p. m., the committee recessed until Wednesday, January 25, 1950, at 10 a. m.)

SOCIAL SECURITY REVISION

WEDNESDAY, JANUARY 25, 1950

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

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George, chairman, presiding.

Present: Senators George (chairman), Connally, Lucas, Kerr, Millikin, Butler, and Martin.

Also present: Mrs. Elizabeth B. Springer, acting chief clerk; and F. F. Fauri, Legislative Reference Service, Library of Congress.

Senator KERR (presiding). The committee will come to order.

We are to hear first this morning from Mr. Robert P. Wray, secretary of the Department of Public Assistance of the State of Pennsylvania. Is Mr. Wray here?

Mr. Wray seems not to be present.

Mr. Whitten, would you want to come on at this time, then?

Mr. WHITTEN. That would be perfectly all right.

Senator KERR. All right, Mr. Whitten, you may proceed.

STATEMENT OF E. B. WHITTEN, NATIONAL REHABILITATION ASSOCIATION, WASHINGTON, D. C.

Mr. WHITTEN. My name is E. B. Whitten. I am executive director of the National Rehabilitation Association.

The National Rehabilitation Association includes in its membership practically all the professional workers in the State-Federal rehabilitation program, a large percentage of the professional rehabilitation workers in the Veterans' Administration and private rehabilitation agencies, thousands of physicians associated with chronic disability, and many others who are interested in the problems of handicapped persons without having a professional stake in programs for their benefit. We fully believe that we represent the people who have the best practical understanding of the problems of handicapped persons. This understanding has come from day-to-day work with the disabled over a period of many years.

Senator MILLIKIN. How many members are there in your organizations?

Mr. WHITTEN. Approximately 14,000.

Let me say, here, in connection with that question, that in our testimony this morning we are not making any effort to speak concerning the bill as a whole, but only concerning those specific sections that have to do with the permanently and totally disabled. That is the group that we feel we can speak about with some authority.

The State-Federal program of vocational rehabilitation, operating under Public Law 113 of the Seventy-eighth Congress, has for its purpose the rendition of any service to the physically or mentally impaired adult which will result in his becoming employable. These services include medical diagnosis, medical treatment and surgery to remove or substantially reduce a disability, counseling, vocational training, placement tools and equipment, and placement. Rehabilitation was completed for over 58,000 persons during the fiscal year ending June 30, 1949. A comparable program for disabled veterans is administered by the Veterans' Administration under Public Law 16.

Senator MILLIKIN. Does Public Law 113 have any limitations as to age?

Mr. WHITTEN. Work age only. In other words, it does not say 15 years of age or 16 years, but is applied if a person is deemed to be of work age. Therefore, if a State has a work-age limit of, say, 16, that is the limit in that State. There is no other limit except the feasibility for work.

Rehabilitation workers have long recognized the need for a system of public assistance and insurance for persons so badly disabled that they cannot be rehabilitated with available knowledge and facilities. While most States have some sort of assistance for such people, in many States the programs are wholly inadequate, and as a result many totally and permanently disabled people live under deplorable conditions.

We believe that the over-all policy of the State and Federal Governments as related to its handicapped citizens should be, first, to encourage disabled persons to rehabilitate themselves, by making available to them services and facilities that will restore them to gainful employment in the shortest possible time, and second, to provide insurance and public assistance to those who cannot be rehabilitated.

It should be borne in mind at all times that the great majority of the so-called totally and permanently disabled could be rehabilitated into full or partial employment, if facilities and funds are made available to implement present knowledge.

Senator KERR. Tell us, Mr. Whitten: How many such disabled persons are there now, either being assisted by your or some other program, or who are not being assisted? That is, do you have information as to the total number of such disabled?

Mr. WHITTEN. Well, we could make estimates, and I am sorry to say that I think almost any figures given would have to be in the form of rather broad estimates.

Senator KERR. Give us a broad estimate.

Mr. WHITTEN. The Office of Vocational Rehabilitation estimates that there probably are in the country today about 2,000,000 people who are so badly disabled that they need rehabilitation services in order to be made employable; and of that number a considerable percentage are so badly disabled that they cannot be rehabilitated under present conditions. That number probably might reach close to a half million people.

Senator KERR. They cannot be, under present circumstances?

Mr. WHITTEN. Under present circumstances.

Senator KERR. Would you say that the other 50 percent are presently being reached by one or another presently operated program?

Mr. WHITTEN. No, sir; they are not.

Senator MARTIN. May I ask a question, there?

Senator KERR. Senator Martin.

Senator MARTIN. What percentage of these 2,000,000 are disabled veterans? Or does that include them?

Mr. WHITTEN. That does not include the disabled veterans.

Senator MARTIN. Then do you have any knowledge as to the approximate number of disabled veterans?

Mr. WHITTEN. I cannot say off-hand. They are not included in the general statistics gathered for this purpose, because of the fact that they are taken care of under the Veterans' Administration programs and would not be, probably, recipients of aid of this kind.

Senator MILLIKIN. Mr. Chairman, may I ask a question, please?

Senator KERR. Senator Millikin.

Senator MILLIKIN. Can you give us an example that will trace through the kind of work that you do? Let us assume that John Doe finds himself totally disabled. Under what circumstances does his case come to the attention of the workers who are in your organization? Then what do they proceed to do? Where does the money come from? How does he get rehabilitated? How does he get placed in a job?

Mr. WHITTEN. I will be glad to give an illustration of that.

Senator KERR. Now, in giving the illustration, will you tell the committee whether you are speaking of a person now being reached under the program of vocational rehabilitation, or whether it is one not reachable through that program?

Mr. WHITTEN. All right.

The first illustration I will give will be one that has been rehabilitated under this program, to show the approach that is used.

Senator KERR. You are talking now about Public Law 113 of the Seventy-eighth Congress?

Mr. WHITTEN. That is right.

Senator MILLIKIN. Start out, if you will, from the beginning.

Mr. WHITTEN. I will take a case and change the boy's name and call him Tom Jones. He is a young man, married, with two children, who had been working for 2 years as a common laborer in a sawmill. In an accident he was horribly burned, so badly that both knees were contracted to the point where he could not walk. He was treated by his local doctor, and after the local doctor had done everything that could be done for him, he still was not able to regain employment. At that stage he was referred to the Division of Vocational Rehabilitation.

Senator MILLIKIN. What was his financial situation at that time?

Mr. WHITTEN. Well, at the time of his referral, the family was drawing aid for dependent children from the public assistance division in the State, and that was being supplemented by church contributions in the neighborhood.

Now this young man was counseled by a vocational-rehabilitation counselor, who secured complete medical diagnosis and found that plastic surgery would be necessary, probably several procedures, in order that this young fellow could work again. After he found that out, after talking with the family and being sure it was all right all the way around, he helped this young fellow get the surgery and the hospitalization that was necessary.

Senator MILLIKIN. You are talking about the doctor?

Mr. WHITTEN. No; I am talking about the vocational-rehabilitation counselor. He helped him to get the service that was necessary.

Now you asked the question a while ago as to where the money comes from. It is a State-Federal program, in which the Federal Government is now participating to the extent of about $2 to the State's $1. They are doing that by virtue of a law which provides that the Federal Government pay all administrative, guidance, and supervisory cost, and match State funds for care services 50-50. That makes about $2 to $1.

Now, in going on through, when this fellow returned from the hospital——

Senator MILLIKIN. Let us get him into the hospital. Let us take him out of the sawmill and put him into the hospital. How did he get into the hospital?

Mr. WHITTEN. After his eligibility for services had been determined by the Vocational Rehabilitation Division, the Division contacted a doctor and a hospital. In other words, the States have panels of physicians that are approved for special services and they also have hospitals on their list with which they have specific contracts. So it becomes routine, then, to refer the person to an approved doctor of his own choice.

In other words, the Rehabilitation Division does not attempt to dictate the doctor that is used, but they do say it must be a doctor that is approved for this particular kind of work. And the hospital also has to be approved as being one that is capable of rendering the kind of service that is needed for the particular client.

Senator KERR. And the client then has the choice among those thus acceptable?

Mr. WHITTEN. That is correct.

So, after this arrangement is made, the person is ordered to the hospital. The relation with his doctor is just as if the Rehabilitation Division was not paying the bill. In other words, there is no effort at all made to interfere with that relationship. The rehabilitation counselor tells him, "Now, we have made this service available to you. The doctor is the boss."

Well, when the doctor says he is ready for discharge, he comes out. And, of course, the hospital and doctor bills are paid in due course, on the basis of a fee schedule which is approved by the agency in advance.

Senator MILLIKIN. All right. Now, what happens to the fellow while he is in the hospital? Let us take this case that you are talking about. How long is he in the hospital in that kind of a case? What do they do to him while he is in there?

Mr. WHITTEN. Well, under the law, hospitalization can not be provided for more than 90 days, the purpose of this being to keep the divisions from getting into any general medical-care programs.

Senator MILLIKIN. Yes?

Mr. WHITTEN. Now, in this particular case, the boy was given a series of three plastic operations, which removed the scar tissues from the back of his knees, and which grafted, then, good skin there. He was in the hospital in this particular case close to 6 weeks.

Senator KERR. In the three operations?

Mr. WHITTEN. In the three operations; that is correct.

Senator MILLIKIN. With all those traction devices to help him get his legs limbered up?

Mr. WHITTEN. It did happen that he had to have them, because he had been so long with his legs contracted that it was necessary to use weights and more or less force his legs into position.

Senator MILLIKIN. Now we have got his legs so that they are usable. How does he get a job?

Mr. WHITTEN. When he came out of the hospital, he was able to walk, but it was soon found that it was not appropriate for him to return to the same kind of work that he was doing, the work as a common laborer in a sawmill. Now, the counselor, in working with him, found that this boy had always wanted to be an automobile mechanic, but he had married early, and he had never been able to really get an opportunity to do that. And the counselor thought it was worth while to try this. Testing indicated that it was an appropriate choice. So he was sent to a trade school and was taught automobile mechanics.

Senator MILLIKIN. Who put up the dough for that?

Mr. WHITTEN. Under the law the State can put up what is necessary. In other words, tuition is free to everyone, but, for instance, if his board had to be paid while he was receiving the service, that would be done on a needs basis. In this particular case the Rehabilitation Division had to pay it all, for he had nothing, and his family was still on relief.

Senator MILLIKIN. Yes.

Mr. WHITTEN. Now, after he completed his training, the rehabilitation counselor had no trouble at all in finding a job for him as an automobile mechanic.

And I would like to say this, which we got a great deal of pride out of: You may have realized that this is a case that I had personal experience with. That young fellow was able to go to the welfare office in his particular county himself and tell them that he no longer needed the assistance that had been given him for his children. I saw that young man appear before a Rotary Club at Tupelo, Miss., a few years ago to testify to what such a program had meant to him and to his children. He was proud of the fact that he no longer had to be a recipient of relief.

Senator MILLIKIN. Thank you very much.

Senator MARTIN. Might I ask a question, there?

Senator KERR. Yes, Senator Martin.

Senator MARTIN. This is in no way critical, but there is a great deal of feeling that the administration costs are rather heavy. I note that you stated that it will take $3 as the base; $2 of it is from the Federal Government and $1 from the State Government. But $1 is for supervision and things like that?

Senator KERR. Overhead.

Senator MARTIN. Overhead. Now, that is one-third. That is 33⅓ percent.

Mr. WHITTEN. Yes.

Senator MARTIN. That seems to the general public rather high. Is there any explanation for that?

Mr. WHITTEN. I am glad you asked that question, Senator. There is. In regard to this work in rehabilitation, it is to a considerable extent a purely case-work proposition, with individuals. In other words, there has never been found any satisfactory way to rehabilitate these people en masse. In other words, you cannot organize a class

and have 15 people, for instance, to train at once. You cannot apply that approach.

As a result of that, a counselor in the country as a whole has between 100 and 150 cases on his books, people he is trying to serve. And he has responsibility for the entire process from the time the person has applied to him until the person has been employed long enough that there is a reasonable expectation that he is permanently employed. So it is an individual case-work basis.

Now, I think it is encouraging that those administrative costs have been reduced—or rather, administration and guidance costs, for most of it is vocational guidance. The purely administrative cost is only 6 or 7 percent. And those costs have been reduced as case loads have increased, and also as the individuals working in this program have become more skilled in the method to be used.

But I think I can say without any fear of contradiction that the amount or the percentage spent for administration, supervision, and guidance will always be what you would call relatively high as compared with other programs where the main job is just the distribution of funds.

For instance, in public assistance, they probably hold administration down to 6 or 8 or 10 percent. But that is just more or less distribution of funds.

Senator KERR. Or less?

Mr. WHITTEN. Yes; or less.

Senator MARTIN. I would like to ask another question. We were all very pleased to hear about the case that you used as illustrating what the work does; that is, this case of the young man who became an automobile mechanic. What percentage of failures do you have in the program?

Mr. WHITTEN. Among those people upon whom money is spent, the failures are about 4 to 5 percent. Now, I made that qualifying statement "upon whom money is spent," because the first job that a counselor has is to determine whether the person really can be rehabilitated. And we try to avoid wasting money on hopeless cases.

Senator KERR. Let us say that you try to avoid spending money other than for maintenance on cases that seem to be such that they cannot be rehabilitated into self-supporting status.

Mr. WHITTEN. Yes. Under the law the rehabilitation people cannot spend their money unless there is a reasonable expectation of employment at the end of the job.

Senator MILLIKIN. And your percentage of failure, you say, is how much?

Mr. WHITTEN. It is less than 5 percent of those upon whom money is spent.

Senator KERR. For what purpose?

Mr. WHITTEN. Yes. Now, that is not counting the ones that, of course, cannot, as it is determined after investigation, be rehabilitated with present facilities and knowledge.

Senator KERR. Is it your thought that a really high percentage of all such disabled, if more adequate financial provisions were made, could be rehabilitated into self-supporting individuals?

Mr. WHITTEN. Yes; we believe that. But when I say that, I want to make it clear that it will be a long time before the necessary facilities and trained personnel would be available for that purpose.

What I mean is this: If Congress today appropriated what you might call limitless funds for vocational rehabilitation, the job could not be done the first year. In other words, it is something that we have to move into gradually, as personnel is trained, facilities are made available, and knowledge is increased.

Senator KERR. Senator Millikin, I believe, asked you for two examples, and you have given us one.

Mr. WHITTEN. Yes. Now, you want an example of one that could not be served? That was the other one, was it not?

Yes, I am glad to do that, because these things tug at our heartstrings a great deal, as you may imagine.

Senator MILLIKIN. May I ask you a preliminary question? Is there anyone who qualifies under your standards for this rehabilitation program who is denied the benefits of it because of a lack of money?

Senator KERR. As presently operated?

Senator MILLIKIN. As presently operated.

Mr. WHITTEN. The only limitation is where a State finds it does not have the money to do the job, and therefore has to make the best use of what funds are available.

Senator MILLIKIN. Well, is there a large backlog of cases of that kind in any part of the country?

Mr. WHITTEN. There is. I think we can say that that is the case in virtually all parts of the country.

Senator MILLIKIN. So that there is, in effect, a discrimination between those who receive the treatment and those who are qualified to receive it but do not receive it because of lack of funds.

Mr. WHITTEN. I think that is a fair statement to make, yes.

Senator MILLIKIN. Then out of your whole load of cases, how do you choose those who will receive it and those who will not receive it?

Mr. WHITTEN. Well, each State determines for itself the exact procedure that will be used in selecting its cases.

Senator MILLIKIN. I mean, how do they solve that problem?

Mr. WHITTEN. Now, sometimes it has to be a kind of a brutal proposition. For instance, we had a regulation in our State that the young would be chosen in preference to the old; that if we had a 65-year-old person apply and at the same time a 30-year-old one, we felt that we were rendering a greater service to the country by rehabilitating the younger one.

Senator KERR. What was that State?

Mr. WHITTEN. Mississippi is where I was from. I think practically all of the States use that as one criterion.

There, again, the severely disabled are taken in preference to a person who might not be so severely disabled. Now, that is always a difficult problem, the matter of determining just how disabled a person is.

Then, the more severely disabled are chosen as against the less severely disabled. That is one of the main criteria. For instance, we have people apply for service who have just heard about rehabilitation, and a fellow maybe has just two or three fingers off, or something like that, and though he does have disability for some purposes very frequently he does not have to have any rehabilitation money spent on him. And on the other hand, we have many of the other kind that we serve. Those would be two of the main criteria I would say, in selection.

Senator KERR. I understand you to say that at the present time the various agencies are probably reaching half of those that could and should be reached.

Mr. WHITTEN. That was not what I meant to imply. I do not have too much confidence in figures on that, but the Federal Security Agency has to the best of its judgment determined that at maximum we ought to be rehabilitating around 200 to 250 thousand a year, where now we are reaching 60,000 a year. That would be closer to one-fourth. Now, there again, I would say that if you gave us unlimited money we couldn't handle that 250,000 next year.

Senator KERR. I understand. Now, in order that we may have a better idea of your opinion of the job to be done, give us your estimate, based on your experience and observation.

Mr. WHITTEN. Well, I think that is pretty close to accurate.

Senator KERR. You think that is possibly accurate?

Mr. WHITTEN. Yes. For instance, we found in some projects that were carried on in narrow segments of the population that there are 7 to 14 adults per thousand in the general population that need rehabilitation services of some kind.

Senator KERR. All right.

Mr. WHITTEN. Now, back to this case that you wanted to hear about, Senator. I remember having a father bring a young girl into my office, a young girl who was suffering from cerebral palsy. She was most pitiful to look at. She had a good mind, we found, upon investigation, but her body quivered and shook so severely with that dreaded malady that after full deliberation we just decided that there was nothing that could be done for her that would result in her employment.

Now, I could give many other illustrations, but I wanted to mention that, because that has been one of the neglected groups of people. It is not a group that can be handled most effectively as adults. It is a group that is going to have to be improved as children, because they can be improved as children; but they cannot be improved much as adults.

Now, we do rehabilitate quite a number of these people, and unless you have personally observed you would probably be surprised at how many of these people that you would assume are unemployable are actually working and making a living. Yet there are many of that kind that the State agencies just cannot deal with effectively at the present time.

Senator MILLIKIN. Thank you very much.

Mr. WHITTEN. I shall proceed, then, with my statement.

The country needs many additional rehabilitation centers and sheltered workshops for the severely disabled, improved programs for the home-bound disabled, and funds to carry on the rehabilitation programs.

You showed an interest in facilities a moment ago. I want to mention that at Fishersville, Va., operated by the State vocational rehabilitation division, with the cooperation of the medical school of the University of Virginia, there is one of the finest such institutions in this country, a real rehabilitation center. And it would be most enlightening to anybody who has not observed activities there to see what can be done with severely disabled people, where you have a real team of rehabilitation experts, physicians, rehabilitation coun-

selors, therapists, limb makers, and so forth, all working together on these people. And the last I heard, of 200 people in that center more than 50 were wheelchair cases, every one of whom, it appears, can and will be rehabilitated.

Senator KERR. And will be self-supporting?

Mr. WHITTEN. That is right.

Senator KERR. Where is this institution?

Mr. WHITTEN. At Fishersville, Va. That is just out of Waynesboro a few miles.

Senator KERR. Is that a State institution operated in part by Federal and in part by State funds?

Mr. WHITTEN. Well, that is right. The way the Federal Government participates in it is through paying for part of the case service cost in the institution. In other words, the institution, you would say, is self-supporting by virtue of the fees that are paid by the rehabilitation division, and the Federal Government participates in that.

Senator KERR. But the institution was provided by the State?

Mr. WHITTEN. That is right.

With the continued development of rehabilitation programs and facilities, the permanent pensioning of many of our disabled will be unnecessary. This seems the truly American way, since any citizen worth his salt would prefer self-support to a Government pension. A proposal now before Congress (S. 2273) would help to achieve this goal. It should be stated with emphasis that every dollar expended on rehabilitation will save untold dollars in pensions in years to come.

We say without hesitation, then, that any legislation setting up insurance or assistance programs for the totally and permanently disabled should include every possible provision to encourage the rehabilitation of these people.

Senator KERR. Do you feel that the provisions of H. R. 6000 do that?

Mr. WHITTEN. No. I am going to make some suggestions later in my statement.

Senator KERR. All right.

Mr. WHITTEN. In fact, we believe that whatever law is passed should express the intent of Congress, in no uncertain terms, that no disabled person should be pensioned if he can be rehabilitated into gainful employment. Emphasis upon this philosophy in the law and in the administration of the law during its first years can result in a tremendous difference in the cost of the program over a period of years and at the same time can strengthen the economic and social fiber of the Nation.

Senator MILLIKIN. What are the provisions of law at the present time whereby a young man can be pensioned?

Mr. WHITTEN. At the present time there are none except in State law; in whatever State such laws exist.

Senator MILLIKIN. That is what impelled me to ask the question. I was not conscious that we were contributing to any pension system for young people.

Mr. WHITTEN. That is correct.

Senator KERR. I think he refers to the provisions in H. R. 6000, which, as I understand, you feel might result in the development of that situation.

Mr. WHITTEN. That is right.

We make the following recommendations concerning the legislation now before the committee:

1. We approve heartily insurance provisions of H. R. 6000 which require the Administrator to provide examinations for the purpose of determining or redetermining disability and entitlement for benefits ((d), p. 91) and give the Administrator the authority to refuse grants or cease grants to individuals who refuse to submit to examination or reexamination or have without good cause refused to accept rehabilitation services available under the Vocational Rehabilitation Act ((f), p. 93). We believe the bill would be further strengthened and the purpose of the Congress made unquestionably clear if it included a statement of policy such as is found in section 209, paragraph B (p. 85) of H. R. 2893.

That, as you know, is the bill that I think the House committee used as a basis for its discussions, and it is merely a statement of policy. I intended to bring that with me, but I do not have it.

Senator KERR. Will you provide it for the record, Mr. Whitten?

Mr. WHITTEN. I surely will.

(The material to be supplied follows:)

These amendments to H. R. 6000 are recommended as necessary to assure that the rehabilitation concept shall pervade the administration of permanent and total disability-insurance benefits (sec. 219) and aid to the permanently and totally disabled (sec. 351).

In section 219 two new paragraphs be added:

"(f) (2) The Congress hereby finds and declares that rehabilitation of disabled individuals who are or may become entitled to benefits for extended disability under section 201 serves at least three very desirable purposes—it promotes the welfare of the individual, conserves the assets of the national social-insurance trust fund, and increases the potential economic product of the Nation. It is, therefore, the policy of the Congress that the Administrator, to the greatest extent practicable, shall attempt to rehabilitate and return to the labor market disabled persons who are or may become entitled to benefits under section 201 by reason of extended disability."

"(f) (3) The Administrator shall make provisions for furnishing medical, surgical, training, and other rehabilitation services to disabled individuals when it appears to his satisfaction that such individuals are or may become entitled to receive benefits for extended disability under section 201, if he believes such services may aid in enabling such individuals to return to gainful work. The Administrator shall, in furnishing such services, utilize the services and facilities of State agencies (or corresponding agencies in the case of Territories or possessions) cooperating with him in carrying out the purposes of the Vocational Rehabilitation Act, as amended, and shall reimburse such agencies for the cost thereof (other than so much of such cost as is included under section 3 (a) (4) of such act).

NOTE.—It is not intended that the State agency would establish its own rehabilitation program.

"There is hereby authorized to be appropriated for each fiscal year from the national social-insurance trust fund such amount as may be necessary for the purposes of this subsection."

In part V, section 1402 (a), State plans for aid to the permanently and totally disabled, the following paragraphs be added:

1. "Provide that in any case in which an individual has refused to submit himself for examination or reexamination in accordance with regulations of the State agency administering the plan, or who has without good cause refused to accept rehabilitation services available to him under a State plan approved under the Vocational Rehabilitation Act (29 U. S. C., ch. 4) after being directed by the State agency administering the State plan to do so, said State agency may find, solely because of such refusal, that such a person is not a permanently and totally disabled individual or that his disability (previously determined to exist) has ceased."

2. "Show evidence of an effective cooperative relationship with the agency or agencies administering State plans for vocational rehabilitation approved under the Vocational Rehabilitation Act (29 U. S. C., ch. 4).

3.[1] "Provide that the State agency shall, in determining need, take into consideration any other income or resources of an individual claiming aid to the permanently and totally disabled, except that the State agency may (in making such determination disregard such amount of earned income, not to exceed $50 per month), as the State agency, administering the State plan for vocational rehabilitation (approved under the Vocational Rehabilitation Act (29 U. S. C., ch. 4)) certifies will serve to encourage or assist the disabled person to prepare for, engage in, or continue to engage in remunerative employment to the maximum extent practical."

NOTE.—It is intended that the exemption be made available on an individual basis to persons undergoing rehabilitation.

In part V, section 1402, add (c) as follows:

"The Congress hereby finds and declares that rehabilitation of disabled individuals who are or may become entitled to benefits for extended disability under part V serves at least three very desirable purposes—it promotes the welfare of the individual, conserves the funds available for benefits, and increases the potential economic product of the Nation. It is, therefore, the policy of the Congress that the Administrator, to the greatest extent practicable, shall encourage the agencies administering State plans to cooperate with State rehabilitation agencies in attempting to rehabilitate and return to the labor market disabled persons who are or may become entitled to benefits under part V by reason of extended disability."

Mr. WHITTEN. The importance of firmly establishing this concept at the beginning of a program of insurance for the totally and permanently disabled is sufficient to fully justify the inclusion of such a statement.

Senator KERR. Do you not think, there, that the term "totally and permanently disabled" is misused?

Mr. WHITTEN. Yes. And that is going to be an administrative headache, of course, in the administration of any program of this kind.

Senator KERR. I believe the Senator from Colorado yesterday referred to the fact that that language may have crept into usage in this discussion by reason of its having been in long usage with reference to insurance or compensation or damages, and so forth. You feel that that language should be changed in such a way as to show that this legislation is for the benefit of those who are disabled, whether totally or permanently? In other words, the whole program that you are talking about goes to the thesis that those that are disabled do not need to be permanently disabled, and those who seem temporarily to be totally disabled do not necessarily have to remain in that status?

Mr. WHITTEN. Yes. I have not thought through any change of wording. But I think it is most important that that concept be included in the bill and that the wording be such that there is no doubt of meaning. Of course, we all have had the experience of finding a person that an insurance company had declared totally and permanently disabled, and finding that he was rehabilitable to the full extent. And he often is rehabilitated. And, of course, we know that some of the people the Veterans' Administration classify as totally disabled in fact make good livings for themselves from independent sources the rest of their lives. That is a difficult determination. I don't know how you would word it, but the idea certainly ought to prevail in the legislation.

Senator KERR. It ought to be made clear that the purpose is to change the status of those who seem to be totally and permanently disabled.

[1] A substitute for (a) 8 of sec. 1402.

I think that is what you had in mind.

Senator MILLIKIN. That is exactly it. I think, as the chairman has pointed out, that considering your goals, you are stating an anachronism when you try to express disability in terms of its being "total and permanent." The two things oppose each other.

Senator KERR. All right, Mr. Whitten. You may proceed.

Mr. WHITTEN. The provisions of H. R. 6000 establishing a public-assistance category for the permanently and totally disabled are, we believe, wholly inadequate to assure the Congress that the rehabilitation concept will prevail in this program of public assistance.

It should be borne in mind at this time that the vast majority of our permanently and totally disabled receive their disabilities as a result of congenital defects, disease, and nonindustrial accidents. As a result, for many years to come, and probably indefinitely, most of the applicants for disability benefits will be applying to the public-assistance agencies.

I thought here you might be interested to know, as to the 55,000 or 58,000 people rehabilitated by the rehabilitation divisions last year, just where they did get their disabilities; so I have inserted a statement here that is not in the prepared statement.

Fifty-four percent of these people got their disabilities from disease; 14 percent, from congenital causes; industrial accidents, 10.5 percent; other accidents 19.9 percent; and unclassified, 1.5 percent.

Now, I think that demonstrates quite clearly that for a long long time to come public assistance is the source to which these disabled will turn; not to insurance.

That is something we don't like to recognize as the truth, but we think that there is no doubt that it will be the truth.

Senator MILLIKIN. What percentage would you say fall on one side, and what percentage on the other?

Mr. WHITTEN. I cannot say. Because, of course, the 10 percent that get their injuries from industrial accidents, I would say, are practically all covered; and no doubt there are probably some of the others covered. But the great majority, I would say, are not covered. And, in fact, many of those would not be covered under the expansion provided in H. R. 6000. Well, just take, for instance, the 54 percent that come from disease. Regardless of whether they were all covered, still the coverage under H. R. 6000 would not cover disease, you see, unless it was an occupational disease. And a very small percentage of it would be that.

Senator KERR. That would come under your 10 percent industrially disabled; would it not?

Mr. WHITTEN. Well, I presume so; yes.

Senator MARTIN. Mr. Chairman, does that 10 percent include partly the 54, or vice versa? We have, for example, in the case of coal mining, certain diseases that occur as a result.

Senator KERR. I gather that they are mutually exclusive.

Mr. WHITTEN. That is right. These will add up to 100 percent. They are exclusive of each other.

Senator MARTIN. Now, of the approximately 10 percent from industry, what percentage of those are rehabilitated by industry itself? Do you have any figures on that?

Mr. WHITTEN. These are figures of those who were rehabilitated by the rehabilitation divisions.

Senator MARTIN. Of course, steel companies and railroad companies, and so on, do a lot of rehabilitating, themselves.

Mr. WHITTEN. That is true.

Senator MARTIN. And I was wondering whether you had any figures on that.

Mr. WHITTEN. I do not.

In our judgment, it is most important that the administration of public assistance to the permanently and totally disabled be pervaded by the rehabilitation idea. To assure that this will be true, we suggest that State plans for aid to the permanently and totally disabled be required to contain the following provisions:

1. Require the Administrator to provide comprehensive examinations to determine nonfeasibility for rehabilitation and periodic reexamination to redetermine this condition.

Senator KERR. Would you just as soon say "to determine feasibility"?

Mr. WHITTEN. Yes.

Senator KERR. Would that even be a little better?

Mr. WHITTEN. Probably so.

Periodic reexaminations of persons previously declared to be permanently and totally disabled is mandatory, in view of rapid advances in rehabilitation techniques and facilities. A person may truly be nonfeasible for rehabilitation today and feasible tomorrow. No handicapped person when granted assistance under this category should be led to believe that it is a lifetime proposition.

2. Give the Administrator the authority to refuse grants to individuals who refuse to submit to examination or reexamination or who refuse without good cause to accept rehabilitation services available under the Vocational Rehabilitation Act. This authority is granted in insurance provisions of this bill and is equally important in public assistance.

Senator MILLIKIN. Mr. Chairman, I would like to invite attention to the fact that that is taking a rather large power over the life of the individual. When you can say to a man, "You must take a certain course of rehabilitation treatment, or else," you put him in a terrible spot.

Mr. WHITTEN. I understand.

Senator MILLIKIN. I am not arguing that there should not be some limitations, but I am pointing out that they have got to be very carefully defined and very carefully applied.

Mr. WHITTEN. That is exactly right.

Senator MILLIKIN. And it often happens that a medical course of some kind proves to be injurious rather than beneficial, and it would be a terrible weight on a man's conscience if he had forced someone into that sort of thing.

Mr. WHITTEN. Well, to illustrate, I would by no means favor that a person be required to take a serious operation under rehabilitation with the "or else" alternative that he would not get a grant. Because those things come pretty close. But I think that, as you indicated, careful regulations and humane administration can prevent trouble coming from that source.

Senator MARTIN. Mr. Chairman, is it not almost impossible to write into a law or a regulation a directive as it relates to the individual? I do not think a surgeon would want to undertake the work

unless it was voluntary. I am very doubtful whether a reputable surgeon would unless it was entirely voluntary as far as the individual was concerned.

Senator KERR. Well, as I understand the thesis of this witness, it is that everything possible should be done to direct this program, if it is launched, and, if it is launched—it is a new program insofar as our social-security set-up is concerned—to launch it in such a way that its result will be rehabilitation of individuals rather than pensioning for those who are young and capable of being rehabilitated.

Mr. WHITTEN. A very good compromise, Senator.

Senator KERR. As I understand it, that is the thesis of his testimony.

Senator MARTIN. That is very fine. But in our plan of free enterprise, all of it depends very much on the attitude of mind of the individual. And if he is forced to do something against his judgment, I am rather doubtful of the results.

Mr. WHITTEN. As I understand it, the recommendation is that for him to be eligible for these benefits he must be available for examination or reexamination to determine whether or not he is rehabilitable.

Senator LUCAS. Upon what theory is that granted as to the insurance provisions of the bill and not granted as to the public assistance provisions?

Mr. WHITTEN. I don't know what the reasoning of the committee in the House was on that point. These suggestions I am making in item 2 are the suggestions that are in the insurance provisions. Presumably it might be because of the fact that one is a completely Federal program, while the other one has to be handled under State plans, and therefore the committee may have felt that it ought not be too rigid in making requirements of State plans. But I did not listen to any of the discussions or hear any of the witnesses on that point.

Senator KERR. I have not yet seen or heard a request, here, for a directive that such a person submit to the medical treatment that might be indicated by the reexamination or the examination. As I understand it, he is recommending that the Administrator have the authority to refuse grants to those who refuse to submit to examination or reexamination. I cannot see where that in itself would be excessively burdensome.

Senator MILLIKIN. I believe there is something in the statement that goes further than that or carries wider implications. If I have listened correctly and read correctly, I think the implication is that after that preliminary examination has been made and the administrators conclude that a rehabilitation program is possible, if there is not a degree of cooperation acceptable to the administrators, he might be cut off.

Mr. WHITTEN. Yes; that is true.

Senator KERR. That might be the inference. I have not found it in the language.

Mr. WHITTEN. I think it will come down to this, in a practical instance. Of course, the Administrator will depend upon medical diagnosis. If that comes back and indicates that this person is not totally and permanently disabled, inasmuch as certain things can be done which would render him employable, then of course the Administrator would say, "You are not eligible under this act."

Senator KERR. Unless you have complied with the recommendations.

Mr. WHITTEN. That is right.

Senator MILLIKIN. I do not know where to draw the line, myself. I am not making any pretensions to wisdom on the subject. But I do know that when you put a man in a position where he must follow a prescribed course of treatment which can injure him as well as help him, you are in a very, very dangerous field of action.

Mr. WHITTEN. Yes.

Senator KERR. I understand those provisions are in the present act with reference to the insurance program.

Mr. WHITTEN. That is correct.

Senator MILLIKIN. I still say, Mr. Chairman, that it is a very dangerous field of action.

Mr. WHITTEN. There is no doubt that a great deal of administrative discretion is necessary in the application of such a principle.

Third, the State plan should require a cooperative agreement between the State vocational rehabilitation agencies and the public assistance agencies providing for mutual referral of cases and exchange of pertinent social and medical information relative to feasibility for vocational rehabilitation.

I want to explain what I have in mind, there, just briefly. Rehabilitation, of course, may involve very expensive medical examinations on many of these people. No doubt the Administrator of the public assistance agency is also going to have to set up provisions for medical examinations. It would seem to me to be rather a futile thing for these two agencies not to work closely together and to exchange information, refer cases from one to the other, when they both are attempting basically to serve the same people and to render a service which will result in rehabilitation if possible, and if not, in the proper administration of public assistance.

Senator MILLIKIN. Are you suggesting that the referral process would provide that the alternative should be allowed for decisions to be made at the Federal level?

Mr. WHITTEN. I am not sure I understand you, Senator.

Senator MILLIKIN. Does this referral process leave in the Federal Government the right to proceed independently in rehabilitation cases?

Mr. WHITTEN. No, sir.

Senator MILLIKIN. You are not intending that?

Mr. WHITTEN. No, sir.

Senator MILLIKIN. Thank you.

Mr. WHITTEN. We feel that practically every one will agree in principle that the philosophy expressed in these suggestions should guide the administration of the law. There are usually those, however, who insist that the desired results can be better attained by regulation than by law. We insist that the rehabilitation concept is too fundamental to the whole problem now before the Congress to be left to administrative discretion.

Section 341, paragraph (c) (1), authorizes the State agency to disregard earned income, not to exceed $50 per month in determining need for assistance for the blind, if the State rehabilitation agency certifies it will serve to assist the blind to prepare for, engage in, or continue to engage in remunerative employment.

This is a sound idea, so sound, in fact, that we are convinced that it should apply to the proposed category for the nonblind disabled.

It's hard to blame a badly handicapped person drawing a pension of $50 per month for viewing dimly a rehabilitation program, when he knows that what he earns will be deducted from his assistance grant. This provision will add very little to current costs and will result in a net saving of welfare funds if it results in the rehabilitation of even a relatively small number.

Now, I want to emphasize that point, because I do think it is most fundamental. You know, it is too simple to say that a person who refuses rehabilitation because he is afraid he will lose a $50 welfare grant is just a sorry, no-good person. It is not solved in that way. There are conflicts in persons' minds. Here is a person that is drawing $50 a month, and that is sure. He does not know what the result of this rehabilitation is going to be. He may have spent months getting on the assistance rolls. He may know if he ever goes off it might take him months to get on again. So he is torn between those conflicts. On the one hand, he would like to be rehabilitated. On the other hand, he is afraid he will lose some of his pension if he is not rehabilitated.

Therefore, we think there should be just a certain minimum. I don't suppose $50 is particularly sacred, but I suggest that he might be allowed to have the first $50 of his earnings deducted.

Senator KERR. From the determination as to what he would receive?

Mr. WITTEN. That is right. Then, when he gains confidence in himself, he could proceed without it. And we believe that in the course of time we would learn whether he is rehabilitable or not. It is something that means so little financially to the country, and something that would strengthen the economic and social fiber of the Nation.

Senator MILLIKIN. At first glance, it looks to me like he has got something there, Senator.

Senator KERR. I would say that it seems to me it should be made applicable to all of the disabled or should not be available to any of them.

Mr. WITTEN. Senator, we do not want anyone to have these privileges taken away from him just because others cannot get them; but we believe heartily that they ought to be available to all the disabled. We do believe that the principle is sound all the way through. But if no one but the blind can get that privilege, we want them to have it.

Senator KERR. What you are saying is that those others that are disabled in other categories are just as much entitled to it as those that are disabled by reason of blindness.

Mr. WITTEN. Yes.

Senator LUCAS. Your thesis, in my opinion, is sound; and it not only should apply there, but it should even go to old-age pensions. I know people in my home community that have been drawing a pension of, say, $37 a month. They will not even get out and rake leaves or take care of a little garden plot or do anything, for fear that they would be taken off of the old-age pension roll. There ought to be some incentive for these people to do some work some place along the line. There is enough work to be done in these communities by these older people in jobs, here and there, and they are willing to do that work provided they know they are not going to lose the security that they have in the first instance.

I think it is a problem that ought to be given serious consideration by this committee in the consideration of this bill, because it becomes, to me, more and more important every day, as I see these men doing nothing but loafing on this pension that they are getting, so-called. And though many of them are able to do work, they will not go out and do any kind of work, for fear that they will be reported and will finally lose this little security that they have. They would rather take a chance on doing nothing than losing that little security.

Senator BUTLER. Senator, would you fix a certain amount that they could receive before they would be declared ineligible?

Mr. WHITTEN. I think there has to be a limit.

Senator KERR. Earnings up to a certain amount would not, as you see it, be taken into consideration in the determination of the amount they would receive under the assistance program.

All right, Mr. Whitten.

Mr. WHITTEN. We want to conclude this statement with a concrete illustration of the relative cost of public assistance and rehabilitation. In Delaware a study was made of 36 persons who were removed from the public relief rolls after rehabilitation. I might say these are not selected cases. The 36 were drawing public relief funds at the rate of $30,180 annually. Now, this relief was of two sources. Delaware has a State system of public relief, and some of them were drawing aid to dependent children, which is partly Federal. The cost of rehabilitating these 36 persons was $12,724, which includes their proportionate share of the administration and guidance cost. Their annual incomes the year after rehabilitation aggregated $64,948. Such facts point up the importance of emphasizing rehabilitation as the country enters into a program of insurance and assistance for its permanently and totally disabled.

Senator KERR. Any questions, Senator Lucas?

Senator LUCAS. I do not have any questions. I would just like to observe that that last example seems to me to be rather significant - although those 36 persons certainly went to the top in a hurry after they were rehabilitated.

Mr. WHITTEN. Well, they were earning about $2,000 annually. And that is not surprising. It is not out of keeping with the general picture. I have had people that we have rehabilitated ourselves that at the end of a year or two were making more money than I was making when I rehabilitated them. And that is not a joke.

Senator MILLIKIN. I would like to ask this question, which I ask almost all witnesses: Is this type of rehabilitation that you are talking about beyond the resources and the will and the abilities of the States and local communities themselves to attend to?

Mr. WHITTEN. Yes. I think without Federal assistance such programs could never succeed.

Senator MILLIKIN. What is that?

Mr. WHITTEN. Well, in some instances it is just because the States probably cannot afford it. There are other things that are probably more pressing.

Now, just to illustrate: The pressure that can be built up for, say, old-age pensions in a State is terrific. You can't build up pressure for rehabilitation like that, because there are not many people involved in it compared with those that would need assistance.

Senator MILLIKIN. I wonder if there is not a human appeal there which, if properly brought out and properly brought to the attention of people might make a big change?

Mr. WHITTEN. Well, it is true that this program has never got to the public attention as it should.

Then, again, there is the matter of Federal encouragement, which has been found helpful in so many of these things. We have programs that none of us would do away with now, and yet we realize that without Federal support they would never have been started, or, if so, would have been so weak as to hardly contribute to the total goal. I think that Federal assistance, in whatever manner the Congress sees fit to administer it, is absolutely essential to encourage a program of this kind.

Senator KERR. Is the element of leadership of value there, Mr. Whitten? The fact that the Government takes the leadership and therefore demonstrates the value of the program and calls it to their attention? Is that not often the difference in whether it is participated in and developed by the States?

Mr. WHITTEN. That is true. Well, to illustrate, when rehabilitation for civilians was started, in 1920, it was more than 10 years before all of the States had accepted the Federal act, and were making use of Federal money. But as one State started it, and it was clearly seen what was being accomplished in the way of returning crippled people to employment, it gradually spread, until now it is a part of the Government structure in every State, and I think as popular as any other in the States.

Senator MILLIKIN. Why do you suggest that leadership is lacking in the States; when whatever leadership comes from here comes from the States and the money for it comes from the States? Why is that?

Mr. WHITTEN. Well, I don't know whether it really is fair to say that leadership in the States is deficient or not. Of course, in rehabilitation there were several States that had State programs before the Federal Government entered into the picture at all. But they were weak programs. They were just programs where State legislatures, probably under the influence of private agencies, had appropriated a little money here and there to get a beginning in the thing.

I would not say that leadership is deficient in the States, but I do say that Federal encouragement has proved to be most essential to really get many of these things done.

Senator MILLIKIN. It is a rather strange thing that the Federal incentive comes out of sources, financial sources, which originate in the States, and that the leadership for those incentives also comes from people who are sent down here from those States.

Senator KERR. Senator Martin and I had the privilege of being Governors of our States at one time. And my observation was in line with the witness' statement: that the pressure from certain groups is greater than from others, and that the legislatures, yielding to that pressure, or acting in accordance with it, appropriate funds, and the day comes when they find that they are out of funds and they have not done these other things. Now, the availability of this money from the Federal Government constitutes a pressure within itself, which results in that matter getting attention from the State legislatures which they might not otherwise give it. And the fact that they did

not otherwise give it would not be because of the absence of leadership or of good judgment.

Senator LUCAS. There were not enough people for it?

Senator KERR. There just was not enough pressure there to get it consideration.

Senator MILLIKIN. What I am driving at, Mr. Chairman, is that it seems to me a rather strange thing—and I am disposed to be practical, and in considering these things I do not overlook the facts of life—and it seems to me a rather strange process, that we send the money from the States to the Federal Government, which now spends several times as much as the State governments themselves are spending, so that we may use that money from the States to pressure the State legislatures into doing what they should have done in the first instance. What greater wisdom resides here than resides in the States? If we have any wisdom here, it is in the heads of men who come from the States. We have no source of money that does not come from the States.

Mr. WHITTEN. You pose an interesting problem, Senator.

Senator MILLIKIN. I am afraid it is pure philosophy and maybe fantasy.

Senator MARTIN. Mr. Chairman, the Federal end of it is just a matter of funds, is it not? I think at the present time the figures indicate that the money used by the States comes, to the extent of practically one-third, from Federal grants. Now, as you know, Mr. Chairman, there are a group of us that for some time have felt that there ought to be a division of the sources of revenue among the three levels of Government. If the Federal Government did not collect so much revenue, the States would be able to collect more. And I am wondering, being closer to the problem, whether the States could not do it better than we could do it down here at the Federal level.

Now, take for example, the first workmen's compensation in the United States, which was in Pennsylvania. We had the coal mines and the steel mills, and we had a great number of men injured, and it seemed sound economically, leaving out the humanitarian side, to take care of these men that would be injured. And, of course, from a very small beginning, the amount of the grants has increased greatly, and now it extends all over our country.

I will give another example, in Pennsylvania. We have a program for the rehabilitation of the blind, and it has worked out very well and I think it has been very largely due to the energy and the ability of certain blind people, who are leading that in our State. And I think that in some way we need a little more decentralizatoin of all this, and I believe we could have it if the States had a greater source of revenue. I do not know whether I have made myself clear or not, but I think this gets down to personalities. There will be testifying before this committee a man from Pennsylvania who has given a great amount of his attention—the fact of the matter is that it is his career—to this matter of relief work and things of that kind. And he does a magnificent job. His heart is in it. Now, I am not saying anything to the effect that the heart of these people down here is not in it. But down here you have got to be a little harsher about it. And I think the human side has to get into this, and I believe that can be done better back at the State and local level than it can be done at the Federal level.

Senator KERR. Are there any further questions?

Thank you very much, Mr. Whitten.

Mr. WHITTEN. Thank you.

Senator KERR. The next witness is Mr. Philip H. Vogt, welfare administrator, Douglas County, Omaha, Nebr.

Senator BUTLER. Mr. Vogt is here and has a statement that he will present, and I think the Senators will find that from the vast experience that he has had he will be able to contribute something and answer the questions which you will want to direct to him.

Senator KERR. All right, Mr. Vogt, You may proceed.

STATEMENT OF PHILIP H. VOGT, WELFARE ADMINISTRATOR, DOUGLAS COUNTY WELFARE DEPARTMENT, OMAHA, NEBR.

Mr. VOGT. Honorable Senators, my throat feels rather dry, and if my voice reflects the fact you should know that it is not because I am thirsty but because I am scared. It is my first trip to Washington and the first occasion I have had to talk to a Senate committee. In the town where I come from United States Senators are rather scarce, and we regard them with great respect and some awe.

Senator BUTLER. I would like to say, before Mr. Vogt starts, that he has had a lot of experience in the matter about which he is going to speak, and I think he can make a real contribution.

Mr. VOGT. I am a county employee having charge of the assistance and welfare activities of our local community. We have a case load of around 6,000, representing about 15,000 persons who are receiving some form of public aid regularly in our community at an annual expense of about $3,000,000.

Senator MARTIN. May I ask you, there: What is the population of your county?

Mr. VOGT. The population in 1940 was 247,000. It is roughly estimated at 285,000 at the present time.

Senator MARTIN. I just wanted to get that figure.

Mr. VOGT. I think a good deal of the burden of what I wanted to say has been expressed in the discussion that has taken place since the last witness made his statement, but I will hurry through with my statement, appreciate any interruptions or questions which you may care to make.

I think I will leave off my introductory statement and go right into the observations as to my experience relating to public assistance.

Senator KERR. If you have set that forth in your opening statement, why not let us have it?

Mr. VOGT. All right, sir.

Mr. Chairman, the enactment of a broad tax-supported assistance program in 1935 was apparently necessary to meet the dire want and distress of thousands of our citizens. Economic conditions at that time, together with the impact of far-reaching changes in our industrial and social life, required public-relief financing and legislative machinery on a much broader basis than was available previously in our country. Since that time, public assistance has continued to provide relief to many persons who would otherwise have suffered from the lack of the necessities of life. It would seem evident to most of us, I think, that some broad relief program should be continued until social-insurance coverage is available to meet the major requirements of old age, unemployment, disability, and so forth.

I think we are now in a position, after 15 years of experience with public assistance as it was set up in 1935, to review it critically and constructively. In my opinion there are fundamental deficiencies and weaknesses in its operation which should be corrected at this time.

First, the categorical system of relief, with legally imposed ceilings, results in great inequities and suffering, and too often violates the basic principle of need. Public assistance is available only to certain persons who meet the particular requirements of a particular category. Such favored persons have the combined tax resources of the Federal, State, and local governments to underwrite their needs. In my community and State this means that an aged person over 65, irrespective of his physical condition, receives an average monthly payment of $44.50 a month, while the crippled arthritic, the seriously handicapped, or the elderly widow under 65 will receive only $24.50 a month.

Senator KERR. You mean, there, those over 65 who may qualify on the basis of the standard of need?

Mr. VOGT. For old-age assistance. That is right.

It means that a family, dependent due to the temporary illness of the father, will receive only $37.12 in a month, while a similar family will qualify for an average monthly aid-to-dependent-children grant of $84.26, if the father deserts.

There are also serious injustices within the group who do qualify for categorical aid. For example, on the basis of the present need formula in use in our State, as a part of the State plan approved by the Social Security Administration, 71 percent of the aged persons on our public-assistance rolls receive monthly payments sufficient to meet all of their needs, but the remainder suffer hardship because of legally imposed ceilings on their grants, and they cannot have their needs met.

It is my suggestion that the Social Security Act with reference to public assistance titles I, IV, and X, should be eliminated and legislation adopted providing for the establishment of general relief for unfortunate citizens in our country who are needy.

Senator KERR. In order that we may have before us the matter that you are discussing, can you tell us briefly what titles I, IV, and X have to do with?

Mr. VOGT. Title I has to do with old age assistance, title IV with aid to dependent children, and title X with aid to the blind. It is an assistance program based on need. It has no reference whatsoever to the old age and survivors insurance of the original Social Security Act.

Senator KERR. As I understand it, then, what you are saying is that the present law should be repealed in its entirety, and that we should enact a new law?

Mr. VOGT. That is right.

Senator KERR. All right.

Mr. VOGT. This relief should be made available without regard for age, residence, absence of the father from the home, and other factors, which have little if anything to do with need. The Federal Government should continue to provide grants-in-aid to the States for meeting the needs of unemployable families only until such time as the major hazards of our industrial economy are met by a broadened, sound social insurance system. The States and local communities should then assume complete responsibility for financing the relief problem.

Coming back to the discussion preceding my coming to the stand, isn't it time to consider seriously ways and means of reversing the trend of having our affairs and financing arranged in Washington? I appreciate that the Congress has tremendous pressure from special interests in this respect, but isn't our democratic way of life at stake in the decisions made by the Congress on this very question?

My State and county are solvent. Neither has any bonded indebtedness. The citizens of my community are in a position to face realistically our relief problems. I am confident that mercy and generosity will express themselves——

Senator MARTIN. May I ask a question right there?

Senator KERR. Yes, Senator Martin.

Senator MARTIN. How do you provide a bond issue in your county or in the State of Nebraska?

Mr. VOGT. It has to be voted.

Senator BUTLER. There can be no bond issue for the State, can there?

Mr. VOGT. That is right.

Senator MARTIN. You have a constitutional provision as to that?

Mr. VOGT. That is right, for the State.

Senator MARTIN. Oh, you do. I did not know that.

Mr. VOGT. I am confident that mercy and generosity will express themselves by citizens on the local level if there is the opportunity and justification for it.

Second, the administration of public assistance categories is unnecessarily complicated, inefficient, and expensive. And here I will try to illustrate.

Senator MILLIKIN. May I ask a question, Mr. Chairman?

Senator KERR. Certainly, Senator.

Senator MILLIKIN. How do you reconcile your broadening of the system, to the functions which are now performed by lodges and churches, and community chests and other agencies of that kind? What would be their role if the Government assumed the role which you suggest?

Mr. VOGT. Of meeting the needs of all citizens?

Senator KERR. Well, he has suggested the repeal of the present social security law.

Senator MILLIKIN. Yes, but he also suggests that there should not be any limitations as to age or anything of that kind as to the needy.

Senator KERR. As I understand it, he says the money should be appropriated directly to the States, and his idea is to then let them handle it in such way as they see fit with reference to the needy in their States.

Senator MILLIKIN. So I am trying now to reconcile that with the activities of these private organizations in trying to meet the needy situation under age 65.

Mr. VOGT. At no time would a public agency be expected, under the law or public policy, to assist a person who is being aided or who had resources through a private agency, a lodge, and so forth.

Senator MILLIKIN. Would it have the tendency of putting those agencies out of business?

Mr. VOGT. No, most of them in our community, Senator—and I think this is general throughout the country—are not giving relief. They are providing services, case work services, recreational facilities,

and so forth. Very little of the private facilities in our local community are providing relief as such.

Senator MILLIKIN. The lodges do that in innumerable cases of needy members.

Mr. VOGT. Well, if a lodge member is eligible for help from a lodge, he is ineligible for help from the public resource, because his needs are being met.

Senator MILLIKIN. But what I am getting at is: If this ready source of money were available to do what you suggest, would that not have the tendency of reducing the activities of these private organizations to try to meet part of the same problem?

Mr. VOGT. It might.

Senator MILLIKIN. It is just something we should think about?

Mr. VOGT. That is right.

Now, to my illustrations: In Douglas County, Nebr., the administration of assistance requires the understanding and use of 102 pages of finely printed State and Federal laws, a three-volume State manual of 1,001 pages of rules, regulations, and procedures, no less than 66 different forms, and a food budget listing 124 different amounts. Many other memoranda, special reports, attorney generals' opinions, and modifications, are forthcoming, which add to the confusion and expense of operation. Figures are not available to this writer for determining the total administrative cost of public assistance by the Federal, State, and local governments, but it is considerable.

Senator KERR. May I ask you a question, there? Do you have information as to the cost of operation in Nebraska on a percentage basis, of your assistance programs?

Mr. VOGT. It varies from county to county. In Douglas County our local costs last year were 6.8 percent.

Senator KERR. Old-age assistance and all other programs?

Mr. VOGT. Old-age assistance, aid to the blind, and aid to dependent children.

Senator KERR. Is there someone here from Mr. Altmeyer's agency who can give us the information as to the Nation-wide average, percentagewise?

Mr. COHEN. Yes, we can, Senator, because we have that for every State. We can supply that for the record.

Senator KERR. Do you have it for the over-all national average?

Mr. COHEN. Yes, we have it for the Nation.

Senator KERR. What is that?

Mr. COHEN. Well, I think that it comes pretty close to what the gentleman said, somewhere between 6 and 8 percent, as I recollect.

Senator KERR. That is the over-all national average?

Mr. COHEN. Yes. It differs somewhat between the three categories.

Senator KERR. Would you supply the record with a tabulation of that percentage cost in the various States?

Mr. COHEN. I would be glad to do that.

(The information is as follows:)

STATE EXPENDITURES FOR ADMINISTRATION

Table 1 below shows for each State expenditures for administering approved plans of public assistance (old-age assistance, aid to dependent children, and aid to the blind) as a percent of total expenditures for these programs in the year ending June 30, 1949. A State's percentage is very much affected by the

level of its assistance payments. A State with very low payments may have a relatively high ratio of administrative expense even though it spends only a modest amount for administration. Similarly, a State making very high payments may spend a relatively large amount for administration and still have a comparatively small ratio of administrative to total expenses.

Another basis for comparing State administrative expense is the amount per case-month. Table 2 gives such information, by program, for the 1949 fiscal year.

Administrative costs per case in some States diverge considerably from national averages because of differences in administrative policies and procedures with regard to frequency and extent of reinvestigation of cases receiving assistance; and differences in administrative organization and in average number of cases handled by each welfare worker. In addition, differences in salary levels undoubtedly account for a large part of the interstate variation in costs per case.

Comparatively high costs per case occurred when one or more of several conditions are present: (1) When administrative procedures such as those relating to frequency of visit and to establishment of eligibility require a large amount of investigation or service per application or per case; (2) when salary levels are relatively high; (3) when administrative responsibility is vested in a large number of local agencies, each of which must maintain minimum staff and overhead costs, no matter how small the number of cases; and (4) when one program is administered separately from the others, so that all or a large part of overhead costs are incurred for operation of only one program.

Costs per case are relatively low, on the other hand, when workers' case loads are high; salary levels are low; the number of local agencies is small; and administration is highly integrated.

Several factors account for differences in case costs among programs. Almost without exception workers conduct more interviews per case for aid to dependent children than for the other programs; moreover, many agencies require more frequent investigation of aid to dependent children cases whose need status is more subject to change than that of aged and blind recipients. As a result, case costs are larger for aid to dependent children because workers usually carry smaller case loads and spend proportionately more time per case on this program.

TABLE 1.—*Expenditures for administration as a percent of total expenditures for old-age assistance, aid to dependent children, and aid to the blind, under approved plans, fiscal year ending June 30, 1949*

	Percent		Percent
United States	5.6	Missouri	3.3
		Montana	5.9
Alabama	6.3	Nebraska	6.8
Alaska	6.0	Nevada	7.1
Arizona	3.5	New Hampshire	5.9
Arkansas	3.9	New Jersey	9.1
California	6.0	New Mexico	8.6
Colorado	2.7	New York	9.1
Connecticut	4.0	North Carolina	7.4
Delaware	13.7	North Dakota	6.5
District of Columbia	8.9	Ohio	5.1
Florida	4.6	Oklahoma	3.6
Georgia	6.4	Oregon	5.4
Hawaii	12.0	Pennsylvania	8.2
Idaho	4.4	Rhode Island	4.8
Illinois	6.0	South Carolina	6.8
Indiana	8.1	South Dakota	6.5
Iowa	5.8	Tennessee	4.5
Kansas	6.3	Texas	3.6
Kentucky	4.4	Utah	4.1
Louisiana	3.9	Vermont	4.4
Maine	5.4	Virginia	12.3
Maryland	6.8	Washington	3.3
Massachusetts	5.1	West Virginia	6.0
Michigan	4.6	Wisconsin	5.4
Minnesota	5.6	Wyoming	5.7
Mississippi	7.4		

TABLE 2.—*Total State-office and local-office cost per case-month, for administration of public assistance, by program and State, fiscal year 1949*

State	Old-age assistance	Aid to dependent children	Aid to the blind	State	Old-age assistance	Aid to dependent children	Aid to the blind
Total	$2.21	$5.56	$3.37	Missouri	1.17	3.05	2.16
				Montana	2.40	5.24	6.71
Alabama	1.32	3.15	1.92	Nebraska	2.91	6.84	3.60
Alaska	2.19	7.05	.....	Nevada	4.02	(1)	(1)
Arizona	1.53	4.09	2.63	New Hampshire	2.99	3.21	3.02
Arkansas	.83	1.39	.90	New Jersey	4.69	6.51	6.71
California	3.77	10.99	5.31	New Mexico	2.70	5.53	4.50
Colorado	1.67	5.71	6.08	New York	4.89	11.39	9.89
Connecticut	1.98	5.55	1.88	North Carolina	1.37	3.44	4.63
Delaware	4.17	11.54	7.57	North Dakota	3.02	6.37	8.43
District of Columbia	4.63	7.09	4.00	Ohio	2.05	7.03	5.20
Florida	1.53	3.29	1.87	Oklahoma	1.62	2.83	2.14
Georgia	1.41	2.33	2.06	Oregon	2.55	6.87	2.89
Hawaii	5.16	11.07	6.46	Pennsylvania	3.35	8.19	1.92
Idaho	2.02	4.61	2.90	Rhode Island	2.21	4.10	3.49
Illinois	2.68	6.02	4.24	South Carolina	1.52	3.23	2.53
Indiana	2.62	6.31	6.03	South Dakota	2.40	4.40	2.60
Iowa	2.60	5.38	4.74	Tennessee	1.18	2.48	1.14
Kansas	2.66	6.77	3.89	Texas	1.12	3.31	2.42
Kentucky	1.03	1.43	.89	Utah	1.81	5.36	2.33
Louisiana	1.73	3.38	2.35	Vermont	1.40	3.81	1.46
Maine	2.22	3.56	2.50	Virginia	2.66	6.25	3.63
Maryland	2.54	6.12	2.18	Washington	2.07	4.55	2.58
Massachusetts	3.18	5.97	2.54	West Virginia	1.53	2.24	1.70
Michigan	1.95	4.32	1.94	Wisconsin	2.15	5.71	3.32
Minnesota	2.08	7.91	7.23	Wyoming	2.89	9.04	2.90
Mississippi	1.33	2.64	1.17				

[1] Data not available.

Senator KERR. All right, Mr. Vogt.

Mr. VOGT. I think the basis for much of the administrative difficulty is an obsession for uniformity on the part of many State and Federal officials.

Senator KERR. Where are you reading that?

Mr. VOGT. I am just commenting, Senator.

Senator KERR. Pardon me.

Mr. VOGT. I think we have stereotyped methods and procedures that are superimposed upon our local administrative units of government, when there are differences, wide differences, in their economic and industrial life. For example, in my State, Omaha really is the only metropolitan community of any size. I myself come from a county in that State that has a population of 1,200.

Senator KERR. Well, as a friend of the city of Lincoln, I want you to make that statement nonexclusive.

Mr. VOGT. Thank you. But although the county that I come from has a population of only 1,200, they require the same rules and regulations and requirements as they set up for Douglas County, which is a heavily populated area, with different cultural groups, different industrial conditions.

Senator BUTLER. At the present time the same rules apply in all localities?

Mr. VOGT. That is right.

The only apparent answer to this situation is much greater decentralization of authority and responsibility for administration to the States and local communities. Funds should be available to the States when they have set up a plan which provides an objective method for meeting the needs of families in an equitable and fair

manner without interference or detailed direction. Administrative funds and services can then be fully directed in determining public responsibility to provide such care as is required, and to give the greatest possible attention to prevention and rehabilitation. And if the Congress would proceed at this time to set up a general assistance, and gradually withdraw from the relief program as social insurance comes to provide for people's needs, I think we could come nearer operating on that decentralized basis.

Senator MILLIKIN. Did you ever study any of the Greek classics?

Mr. VOGT. I am not much of a scholar, Senator. I am sorry.

Senator MILLIKIN. You are objecting to the "Procrustean bed" method of administering our Government.

You may recall that Greek legend has it that there was a bandit by the name of Procrustes, and he had the amiable habit of inviting people that were coming along the road to come in and spend the night with him; and, touched by this hospitality they usually accepted it. When he got them in there, he usually assaulted them, strapped them to an iron bed. If their feet overlapped the bottom of the bed, he took an ax and chopped them off so that what was left would fit even with the bottom of the bed; and if the victims were too short, he would stretch them so that their feet would come even with the bottom of the bed. That is the "Procrustean bed" method of administering Government, which is the thing that you are complaining about. [Laughter.]

Mr. VOGT. That is exactly right, Senator.

Senator KERR. Let me observe that that reduces it to a certain rather horrible simplicity. [Laughter.]

Senator MARTIN. Mr. Chairman, may I ask the witness: Is the relief load in Nebraska divided between the State level and the local level of government?

Mr. VOGT. That is right. In our State we have what we call State supervision of county administration. I am employed by a county board responsible for the administration in that county under the State supervision.

Senator MARTIN. How much supervision does the State give to the county administration?

Mr. VOGT. Considerable. They have a field supervisor located in our community who represents the State. They send in readers who read the records and check the cases. They have auditors who come in and check the accounts. There are perhaps one or more persons in the county all the time, checking the operations of public assistance in our community. In addition to that, we receive directives and memoranda which provide for changes and modifications in operation.

Senator MARTIN. How much of the relief load does the State carry? What percentage?

Mr. VOGT. The State provides no general relief, in our State. Their contribution is in their participation as required by the Federal Government in the assistance categories.

Senator MARTIN. I see.

Mr. VOGT. My third observation is that a considerable amount of public funds provided for assistance grants is not expended for the necessities of life. The inflexible requirement that every recipient shall be given a monthly cash payment, and "that he is free to decide for himself on his own responsibility how he will spend it, and having

spent it he is free of any obligation to account for his use of it," results in many abuses and public criticism. In some instances, this situation is a problem of poor household management, but in other cases the money is wasted on liquor and luxuries. And, gentlemen, when beer tavern operators call you and show you 15 to 18 ADC checks, when merchants call you, vendors who have delivered milk and delivered coal, for which public payments have been made, and the bills are unpaid, when a woman calls my home about 2:30 in the morning complaining—this happened the other morning, and this story was verified the next day—that her neighbor who lived downstairs had received her ADC check at 4 o'clock the afternoon before and had gone out to a beer tavern and wasn't home yet, and the three little children, the oldest of whom was seven, were home, alone, cold, and crying—you conclude that there is some justification for the public criticism which we receive.

Senator MILLIKIN. In a case where there is no dependency, you could reduce the amount of assistance, assuming it were a man without dependents. You could reduce the amount of assistance, could you not?

Mr. VOGT. No, under public assistance, Senator, you cannot reduce the amount of assistance for that reason.

Senator MILLIKIN. I do not know about the reason, but he must prove need. And you can measure his assistance according to his need can you not?

Senator KERR. What the witness is telling us is that he gets the money on the basis of the person's need for food; and then he does not pay his grocery bill, but spends the money for beer. Of course, I presume that the grocery man would get a little tired of that.

Senator MILLIKIN. Where you have a case record of that kind, he has demonstrated that he is getting more than he needs. Can you not reduce the amount?

Senator KERR. Not as long, Senator, as he can induce some one to send him groceries on credit, for which he does not pay.

Senator MILLIKIN. That still demonstrates that he is misspending his money, and that that part of the money is not needed.

Mr. VOGT. Senator, he can apply for assistance on the basis of need. We set up a budget and allow him a certain amount based on this formula for need.

Senator KERR. Is that done at State level?

Mr. VOGT. The formula is arrived at at the State level.

Senator KERR. The formula of need which determines the amount that he receives?

Mr. VOGT. That is right.

Senator KERR. That is done at the State level?

Mr. VOGT. That is correct. Now, the State makes sampling checks throughout the various communities to determine food costs, and so forth, and this information is used as an objective basis for arriving at a fair amount as to what John Doe should receive at a particular time. But once he has received that, we have no control whatsoever as to how it is expended.

Senator MILLIKIN. But as you study that man's case—and I assume you keep some sort of supervision over your clients—it could become evident that he is receiving more than he needs, could it not?

Mr. VOGT. What would you say to the man—and we have this type of case—who, after he gets his check, spends it all for liquor? The rest of the month he has a need, but he has no money to meet that need. What do we do? We must still provide that need.

Senator MILLIKIN. What would you do, under your prescription?

Mr. VOGT. Well, I will come to that right now.

Senator MILLIKIN. Let me make this suggestion, if I may. The difficulty of your thesis is that, first, we want to make the acceptance of assistance as consistent with human dignity as possible.

Mr. VOGT. That is right.

Senator MILLIKIN. Individual human dignity. That is the No. 1 thing. This is not an almshouse proposition. It is not a county poor-farm proposition. We are trying to elevate this thing beyond that, so that the taking of assistance when it is needed is as dignified a thing as is possible and will comport, as much as possible, with the maintenance of individual dignity.

Now, when you commence to set up a detailed category of what he must spend his money for, you have got to send a swarm of agents going around smelling people's breaths and snooping into all of their habits; and that can be carried to a point where most people would say that it is not American.

Mr. VOGT. Agreed. I do not think that the conditions that I am illustrating here prevail, perhaps, in maybe 20 to 25 percent of the cases at some time.

Senator KERR. You say here it is 15 percent.

Mr. VOGT. I have reference there particularly to aid to dependent children.

Senator KERR. You say:

> Our case workers report that these conditions exist in at least 15 percent of the cases receiving public assistance in our community.

Mr. VOGT. I say:

> Children suffer needlessly, vendors go unpaid, evictions are carried out. Our case workers report that these conditions exist in at least 15 percent of the cases receiving public assistance in our community.

So, Senator, it is the exception to the rule where we cannot provide the protection to human dignity and the consideration that should be given to every person that will accept that consideration.

Senator KERR. Well, you do not supervise 85 percent of that, do you?

Mr. VOGT. No; most certainly we do not. We do not supervise the expenditures. We determine their so-called right to assistance, and then they receive a monthly cash grant and spend it as they see fit.

Senator KERR. And what you are telling us is that 15 percent of them to some degree or other abuse the use of the money?

Mr. VOGT. That is correct.

Senator BUTLER. Your point in bringing that out, Mr. Vogt, is to suggest that a different arrangement be made, whereby you or the person handling the assistance could pay the bills direct, instead of returning the money?

Mr. VOGT. That is right. And my next sentence refers to that point:

> Certainly much greater use of discretion must be given to the counties in the administration of public assistance in order to correct these abuses.

In some instances this means direct supervision of public funds to an individual family, where you may have low mentality, a lack of understanding of how to manage a household.

Senator KERR. Can you tell us who, in the administration, would determine the lack of that mentality?

Mr. VOGT. Well, the facts would be the determining factor.

Senator KERR. Well, they would have to be observed by somebody.

Senator MILLIKIN. Do you think the average public official would be in a position to exercise that kind of a judgment?

Mr. VOGT. Yes.

Senator KERR. You do not have any kind of a machine that automatically sifts facts and renders decisions, do you, Mr. Vogt?

Mr. VOGT. No, we don't.

Senator KERR. Who would determine that lack of a certain degree of character and mentality that would enable this individual to determine how he would spend his money?

Mr. VOGT. First of all, you would make inquiry into public criticism of abuses.

Senator KERR. Who would do that?

Mr. VOGT. Our case workers, to see whether there is neglect growing out of the misexpenditure.

Senator KERR. Then are you saying that the case workers should have the discretionary power?

Mr. VOGT. That is right. They do in our county relief program.

Senator MARTIN. As I understand it, Mr. Vogt, you would favor this administration at the local level or the county level, rather than the State or Federal level?

Mr. VOGT. That is correct.

Senator MARTIN. So that you, as the administrative director of Douglas County, and your assistants, would determine whether or not this family should be turned over so much cash, and should then expend it themselves, or whether it should be done under the supervision of your case observers or investigators.

Senator KERR. As I understand it, Senator Martin, he has told us that his administration operates at the local level on the basis of standards of need determined at the State level.

Senator MARTIN. But as I understand it, your State level, however, keeps a pretty close supervision over it.

If you will permit this observation, if the local people are paying a pretty large percentage of the expense, it has been my experience that they give pretty close observation themselves, and I do not believe there is any better way to determine this than by the observation of the people in the community. The people in the community know the people that ought to have assistance, and they know the ones that can spend the money to advantage and those who cannot. They know where there is a father that will go to the taproom, or whatever you call it in the various communities.

Senator KERR. Beer tavern, he called it.

Senator MARTIN. I like to call it a saloon.

Senator KERR. I would understand what you are talking about.

Senator MARTIN. Yes. I know what you are talking about when you say "saloon," but I am not so sure as to these other things, with all these fancy names attached to them.

The way I was brought up, out in the country, we just thought a saloon was a bad thing; and whether a taproom is the same thing, I do not know. I was brought up in an old-fashioned school that did not believe in those things. And I have not gotten away from it.

Senator KERR. So was I, and I am not over it yet.

Senator MARTIN. You and I are pretty much alike, though we vote on different sides.

Senator MILLIKIN. Well, you gentlemen have both established a high degree of virtue. [Laughter.]

Mr. VOGT. Senator Kerr, I believe in the principle of cash payment to individuals. But in any practical administration you have the rule, and you have the exception to the rule, and administrative discretion has to be applied. The quality of any administration can be determined in the degree to which it is able to administer the exception to the rule.

Senator KERR. I am tremendously interested in your observations and your recommendations, and I want you to go right ahead and give them to us.

Mr. VOGT. As far as administration on the local level is concerned, that is a misnomer. I referred a moment ago to the rules and the regulations and the procedures that come to us. We are administering not a program, but rules and regulations and procedures which are given to us. We are administering regulations, not a program of assistance as provided by the Congress and State legislatures. So any local control is nominal, to say the least.

Senator MILLIKIN. Mr. Chairman, it has been suggested to me that there is a procedure open to handle the case where a man gets his check and then goes out and loses it in a crap game or loses it on horse races or at the saloon or elsewhere. And that is the procedure of having a guardian appointed for him, and paying the check to the guardian. I understand that is a procedure in several of the States, and that it has worked. And I think that almost all States have guardianship procedures that would cover cases of that kind.

Mr. VOGT. We don't nearly have enough guardians, or haven't been able to find them, Senator, to meet this problem in our community. We have a few of our aged people who have guardians, but we are unable to obtain guardians for many of these families on aid to dependent children. And it is the Attorney General's ruling that the administration cannot act as a guardian. So we have been powerless to do anything about it from that angle.

Senator KERR. Could you not have a change in your State law that would enable you to meet that?

Mr. VOGT. That is a Federal regulation, a Federal interpretation of the law, and not a State attorney general's opinion.

Senator MILLIKIN. Personally, I would not have the State agency the guardian.

Mr. VOGT. I think that is a necessary safeguard.

Senator KERR. Could you not, under the State law, have a county official designated as such guardian?

Mr. VOGT. Not under the State-assistance program.

Senator KERR. My information is that you can. I would like to have information on that from the agency. Any county official outside of the relief agency itself is eligible to be named as the guardian, or that is my information.

Mr. VOGT. I was referring to people who participate in the operation of the program, as being ineligible to act as guardian.

Senator KERR. And, as Senator Millikin said, we would not want them to be eligible.

Mr. VOGT. The point is that we have not been able to find enough public-spirited citizens or officials who are willing to accept the responsibility of guardianship and supervise these families.

Senator KERR. Then your recommendation is——

Mr. VOGT. That we provide as we have done throughout the history in the country in situations of this kind: Make direct payment to the vendor. We then are able to see that the milkman and the landlord are paid.

Senator KERR. Let me ask you a question, if I may. Do I understand that you are now recommending that the law be changed to enable the local agent to be named as such guardian?

Mr. VOGT. No; only to the extent that I have stated, where there are abuses.

Senator KERR. Would that not make you the guardian?

Mr. VOGT. No; not in the sense of being an official guardian, I think.

Senator KERR. The only thing to be guardian of is the funds, and if you are given the authority to spend the funds, does that not in effect make you the guardian? That is all you could do if you were named the guardian, is it not?

Mr. VOGT. Guardianship assumes more control than that, over the personal life of the individual citizen, as I understand it. All we would assume is the authority to see that bills were paid. Here, for example, we have a group of families living in a public housing project, in our community. The operator comes around and says, "I have 15 families facing eviction. These mothers will not pay their rent." We have no place to put them. The situation is serious. Winter is on. I request him to accept this arrangement: Permit our case worker to take the check and go to the housing authority office, have the check endorsed and cashed, and the rent paid at that time, in the presence of the housing authority, the case worker, and the recipient. But this arrangement is considered a restricted payment, an authority which the agent does not have or cannot exercise. So we have the alternative of either seeing these mothers evicted, or duplicating the payment for care from local public funds, issuing an order for direct payment from local county funds, to the housing authority; which we had to do in the case of those evictions.

Senator BUTLER. It seems to me that that money was provided very properly and justly for relief that went into other channels; and then that same need must be covered again by some other means.

Mr. VOGT. I think, Senators, this problem would tend to be limited to fewer and fewer families if we had the authority to exercise it.

The final observation: Our present system of public assistance categories encourages dependency. While this is a psychological factor, it is not difficult to substantiate with overwhelming evidence. We have found that some able persons who reach the age of 65 make application and receive assistance payments, who, inquiry discloses, could have continued to be employed and self-supporting, as many others in the community over this age are doing.

In other words, in our community only 18.9 percent of all the people over age 65 are receiving public assistance. We lost 1,100 and over at the time the war began. People who averaged age 74 left the assistance rolls and went back to work.

Because they can receive a monthly grant—"they" meaning the few, the exceptions; but nevertheless they exist—they decide to accept it in preference to employment. It is unwarranted and uneconomical for any person to cease working simply because he is 65 years of age.

But this factor of cultivating dependency is far more in evidence and serious as it relates to the aid-to-dependent-children category. In my own county, we now have 1,012 families receiving monthly aid-to-dependent-children grants for approximately 2,511 children at an annual cost of $1,023,252. This compares to a case load of 356 and an annual expenditure of $234,396 5 years ago; an increase of 212 percent in cases and of 405 percent in annual funds expended. Eligibility for aid-to-dependent-children assistance has been established in 60 percent of these cases, due to the "continued absence of the father from the home." No administrative effort which we have been able to exert to date has been able to slacken this shocking parental irresponsibility. Many of these fathers are in the city playing a game of "hide and seek" with our Department and the law-enforcing agencies, while others have deserted to the somewhat greater safety of other States. We have been gradually forced to the conclusion that grants to ADC, as it is now established in law and administrative regulations, in many instances aids and abets the break-down of family life and the increase of dependency.

Let me illustrate as this question relates to our community. We had roughly an increase of 20 percent in population in the past 20 years, but public dependency has increased 700 percent in our community. The break-down of personal and family responsibility——

Senator KERR. Would you give us a tabulation of the figures which lead to that conclusion?

Mr. VOGT. You mean now?

Senator KERR. No; you can mail it to us.

Mr. VOGT. Certainly.

(The information was later supplied and appears on p. 855.)

Senator KERR. The reason I say that is that your statement on the previous page was that while you had had an increase of 20 percent in population you had had an increase of 212 percent in cases in ADC.

Mr. VOGT. Well, that is only for the past 5 years. I was giving the over-all picture of the trend in dependency in the last 20 years, Senator. This increase of 700 percent includes all the people who are now receiving public assistance as compared to the number receiving relief 20 years ago.

Senator KERR. I did not know we had any of these programs 20 years ago.

Mr. VOGT. We had public relief, county responsibility for public relief.

I am talking about public dependency as a whole, people who receive help from public-supported sources, and the rate of increase in dependency over the period of 20 years.

Senator KERR. Well, I want to say that I misunderstood you. I thought you were speaking about the same period in which you had discovered an increase of 212 percent in ADC.

Mr. VOGT. No, only for the past 5 years.

Senator KERR. But on the basis that you have had, in 20 years, an increase of 212 percent, would you give us the data from which you made that conclusion?

Mr. VOGT. I will.

Senator MILLIKIN. Mr. Chairman, may I toss something in as a possible reason for this enormous increase that you speak of?

Am I not correct when I say that there are many people who are hovering at the border line of where there may be genuine need for them to get into the system? That is true; is it not?

Mr. VOGT. Right.

Senator MILLIKIN. Starting with that premise, there has been such an enormous decrease in the value of the dollar that would push large numbers of those people hovering at that border line into the system; would it not?

Mr. VOGT. I think that is one good explanation.

Senator MILLIKIN. I do not say it is the whole explanation, but it seems to me it is one of the reasons.

Mr. VOGT. To substantiate your observation, we have an estimated 3,000 families in our community that have five or more children, whose take-home pay is less than $200 a month, and who would qualify on the basis of our present relief budget for relief, but who are not on the relief rolls.

The break-down of personal and family responsibility is the major social disease of our time. Heroic and untiring efforts should be directed by our Congress—and, I gather from the earlier discussion, on the part of us in the local communities as well—toward eliminating the causes of dependency, and the restricting of public relief to a minimum. For relief, as I see it, is a totally unsatisfactory substitute for a job, savings, annuity, or insurance benefits. We have not yet learned how to administer public relief without cultivating dependency. It is apparently still true, as Emerson stated, "the highest price you can pay for a thing is to ask for it."

People have a much greater capacity to help themselves and work out their own problems than what we give them credit for having. I think we need to reemphasize the importance of personal initiative, obligation, responsibility, and opportunity. The human spirit will respond to adversity and hardship if all incentive for doing so is not taken from him by some of our modern benevolent despots.

Senator MILLIKIN. Mr. Chairman, I would like, at the conclusion of the witness' testimony, to have the privilege of putting into the record a newspaper article by Father Mulroy, Monsignor Mulroy, of Denver, who is the president of our State Blue Cross organization, in which he gives statistics to show the enormous growth in the expansion of the Blue Cross private enterprise, along with the expansion in our social-security enterprises.

It is a very significant substantiation of just what you said. In other words, we seem to think that the Government is doing everything; and it is getting to be more and more the case that the Government is doing everything. We forget all of the time the very thing you are talking about: What people are doing on their own initiative;

what local groups are doing without appealing to the Government; what neighbors are doing without appealing to the Government. We are forgetting all of that. It is a ferment that I would say, in the aggregate, is much more helpful than the aggregate of what we can do by law. And this article which I would like to be able to put in, Senator, goes right along that line.

Senator KERR. Fine. It will be inserted in the record when provided.

All right, Mr. Vogt.

Mr. VOGT. May I, in conclusion, just say this. I have already said it, and I will say it again. I favor any humane, intelligent social-insurance system which will provide care for people so that they won't have to accept relief, based on a needs test. Eventually the spirit of man breaks. He becomes pauperized, demoralized, and a beggar on relief. We don't know how to give him relief without hastening and aggravating that pauperization. We must reduce relief regardless of the change required in our present assistance program, by using the leadership and initiative we have in our local communities, and our legislative and policy-making boards. I think it is essential that we do that, gentlemen; that we may find the answer, through a broad social-insurance system, where an individual has an established right because he has made a contribution. And in this manner the hazards of life can be met through a respectable insurance system.

I want also, just in closing, to emphasize this matter of total and permanent disability, that has been referred to earlier. I agree with someone here that there isn't any such condition. The spirit of man and medical science deny that we should set up such a category of the condemned. Certainly, in your experience and mine, we know of a lot of people who perhaps appeared on the surface to be helpless but for only a temporary period and needed temporary emergency care. Give these persons the opportunity and the medical care that is needed, and they respond and become useful productive citizens again.

Thank you very much.

Senator KERR. Thank you, Mr. Vogt.

Senator MARTIN. Mr. Chairman, I would like to make this observation: Senator Millikin interjected a moment ago something about the value of the dollar, and I am wondering whether that has not had an enormous effect on our situation. For example, I report to the people of Pennsylvania every 2 weeks by radio, and I am going to make the statement that in 1900 a dollar bought 72 eggs, 6 dozen eggs. Now a dollar buys one and a quarter dozen eggs.

This has brought about a situation where, though some of these people probably are just as strong as our forefathers, we have permitted our dollar to become of less and less value, and they have been put up against that situation.

I am very much in sympathy with what you have been saying. It is a beautiful theory. But how we are going to put it across is the thing that worries me.

Senator KERR. Well, as Senator George said yesterday, that gets back to the question of the stabilization of the dollar.

Senator MARTIN. Yes. And that is one thing, I think, one job, that Congress can do, because that is one of the responsibilities of the Federal Government, the matter of currency.

Senator BUTLER. Mr. Chairman?

Senator KERR. Senator Butler.

Senator BUTLER. Mr. Vogt has touched upon several points that I had intended to question him on, but he has not yet expressed his opinion as to why the administration of public assistance is so complicated and expensive, and I think he has had plenty of experience and may be able to give us a little light on that.

Senator KERR. Mr. Vogt?

Mr. VOGT. It seems to me that the law should restrict the authority of administrators; and I am talking about my own authority, and that of all administrators.

Senator KERR. Now, you just spent a little of your time, here, telling us that it should be vastly expanded.

Mr. VOGT. That is right. And I don't think there is any contradiction in what I am going to say.

Senator KERR. All right. I am interested.

Mr. VOGT. I think this: that the law should state what we can do and what we can't do rather than the use of administrative rules and regulations. I think the citizen and the administrator ought to have more protection in law. This proposal is contrary to the general trend of giving the administrator more and more authority under regulations which he may deem advisable. But I am fearful of those, fearful to use them myself. I think the Congress should protect the administrator by greater provisions in the law as to what he can and cannot do.

Now, we have a rather simple law. I mean, our Social Security Act itself is not too complicated. But the result is thousands and thousands of pages of administrative rules regulations and interpretations. And it makes the job of the administrator tremendously complicated and expensive. Our administrators spend less than 20 percent of their time in the field. They are bogged down with the machinery and mechanics superimposed upon us either by State or Federal officials.

Senator MILLIKIN. Mr. Chairman, I would like the indulgence of the committee, to read a few paragraphs from the article of Rt. Rev. Msgr. John R. Mulroy, the Colorado president of the Blue Cross. It bears directly on what you were saying: that we should serve the independence of our people as much as possible and work against establishing an increasing dependency on the Government.

First, let me say that there is nothing in this article that in any way runs contrary to our social-security system. In fact, it has a number of remarks full of praise for the system and for President Roosevelt and for the objectives which were in mind. The father then goes on to say:

> If we are to look at all of these economic hazards on the one hand and what has been done to alleviate them on the other, which one has been the most outstanding?
>
> Regardless of the number of people who hold social-security cards and who are entitled to old-age assistance or old-age and survivors insurance, or unemployment compensation, it seems to me that the voluntary health-insurance program promoted, not by the Government but by the voluntary hospitals on the one hand and the medical profession on the other, has been the outstanding attack on one of the grave economic hazards of people of low and ordinary income.
>
> In other words, what is known as the Blue Cross plans and the Blue Shield plans, covering respectively 35,000,000 people and 12,000,000 people in 90 plans and 65 plans, paying, in 1948, $270,928,123 and $62,404,422 in a substantial way as far as hospital bills and medical bills are concerned, constitute the major development of the last 50 years.

Moreover, this development has come actually within the last 20 years—in about the same time that compulsory social insurance in other categories under social security has been promoted by the Federal Government. It may very well be true that there is a variable in the amount of coverage given by Blue Cross in the different plans.

The same is true in regard to the coverage given by medical service or Blue Shield in its various plans, but these variables are far less serious than the tremendous variables in the amount of public assistance for the aged and survivors insurance, unemployment compensation, and aid to the blind, etc., allotted in the various States.

A few more people may have social-security cards than Blue Cross or Blue Shield cards, but the available assistance under Blue Cross and Blue Shield constitutes, in my opinion, a more timely and more effective attack upon a major hazard of life.

A reading of the annual report of the Federal Security Agency in 1948, on the one hand, and a rather comprehensive understanding of the statistics and reports of the Blue Cross Commission and the Blue Shield Commission, on the other, convinces me that voluntary health insurance, rather than anything like the British plan, administered as an additional social-security feature, should be the one developed and promoted to greater and greater extent in our present American way of life.

I read that because, although this is limited to one type of thing entering into the matter of security, it points out what you were pointing out: what can be done at the local level, on a voluntary basis, without the intervention of Government.

Senator KERR. Senator Butler, you had some other questions?

Senator BUTLER. No; I think that is all.

Did you want to recess now?

Senator KERR. If you are through with this witness.

Then, in view of Senator Millikin's desire to leave at this time, we will recess until 2:30, at which time the witness will be Mr. Dwight W. Burney.

(Whereupon, at 12:05 p. m., a recess was taken until 2:30 p. m., this same day.)

AFTERNOON SESSION

(The committee reconvened at 2:30 p. m. upon the expiration of the noon recess.)

The CHAIRMAN. The committee will come to order.

The first witness will be Hon. Dwight W. Burney.

STATEMENT OF HON. DWIGHT W. BURNEY, STATE SENATOR, AND CHAIRMAN OF THE NEBRASKA LEGISLATIVE COUNCIL COMMITTEE ON LAWS RELATING TO CHILDREN

Mr. BURNEY. Mr. Chairman, honorable members of the Senate Committee on Finance, my name is Dwight W. Burney. I am a farmer from Hartington, Nebr. I am a member of the Nebraska State Legislature and chairman of the Nebraska Legislative Council Committee on Laws Relating to Children. I appear before you as chairman of that committee and as its spokesman.

I might say just briefly that we are interested principally in the assistance part of H. R. 6000.

I should like to make it clear that I do not appear in any partisan capacity. The Legislature of Nebraska is a nonpartisan body. Its members are elected on a nonpartisan ballot, and party lines are ignored in its organization and procedure. The Nebraska Legislative

Council and the committee which I represent function in the same nonpartisan manner. My sole purpose in coming here is to urge that the Social Security Act be amended in such a manner as to enable State and local welfare authorities to administer the public-assistance program more efficiently and more economically.

Our committee does not challenge the philosophy upon which our social-security program rests. Indeed, it recognizes and appreciates the social and economic necessity for such a program. It does note, however, the constant increase in the number of recipients of public assistance and in the average payment per recipient, even in times of unprecedented employment and prosperity, and it feels some apprehension with respect to this growing burden.

We recognize that, under the present arrangement, the national Government is furnishing nearly half of the money expended for public assistance in the State of Nebraska. We recognize further that so long as the State desires to secure Federal aid for assistance purposes, it must comply with the terms of the Social Security Act and the regulations of the Social Security Board. We believe, however, that we may properly urge alterations in both the laws and the regulations whenever in our judgment the public interest would be served by such alterations.

Our committee accepts what it understands to be the basic requirements of the Social Security Act, i. e.:

(1) That the assistance plan shall be of uniform effect throughout the State;

(2) That there shall be a central agency of the State government which has general power of supervision over the local administrative authorities;

(3) That the State government shall participate in financing the plan;

(4) That an acceptable personnel or merit system shall be maintained;

(5) That assistance must be granted to recipients on the basis of need;

(6) That no unreasonable requirements shall be made as to citizenship or length of residence; and

(7) That there shall be no discrimination between applicants on the basis of color, national origins, or religion.

Senator BUTLER. Senator Burney, in connection with item No. 3, that the State Government shall participate in financing the plan, is the State of Nebraska cooperating in every capacity where it can in connection with the Federal Government?

Mr. BURNEY. Senator, I think the State of Nebraska is going further than the requirements of the Social Security Act.

This subject was taken up somewhat this morning, but we have in Nebraska this problem of incapacitated persons and persons such as spastics and cripples, and so forth. The Nebraska Legislature this last year appropriated quite a large sum of money to assist local school district in training children along that very line. That is not exactly on the assistance program but Nebraska did that in this last session.

On the aid to dependent children program Nebraska is paying more to the mother and first child than the Federal Government accepts as basic, and we are meeting the program and in the medical we

are going further than the program. The State is above the ceiling that is set by the Federal matching program, which is, I understand, $50. Nebraska has a ceiling of $55 for assistance, $60 for the blind, and Nebraska matches with the county for medical above those ceilings on a 75-25 percentage basis.

Senator BUTLER. That is all over and above?

Mr. BURNEY. This 75-25 is above the Federal matching; yes, sir.

Although the committee accepts the general principles outlined above, it believes that these principles, as implemented by law and as interpreted and administered, are often unduly restrictive upon State and local authorities who are not attempting to evade the spirit of the law but are merely trying to administer the assistance program in an efficient and economical manner with justice to both the recipients of public assistance and those who pay the cost.

The committee has noted that whenever the State legislature questions any part of the assistance program, or whenever proposals for change are under consideration, it is usually objected that we cannot do this because of the requirements of the Federal Government. Three examples will illustrate this problem:

1. In Douglas County, Nebr., it is reported that during the year just past, 60 percent of all the children accepted for aid to dependent children have known, able-bodied fathers somewhere. Some of these fathers, of course, have left the State, and it is both difficult and expensive to return them for punitive action.

Senator KERR. Do you not have a law in Nebraska against desertion by parents?

Mr. BURNEY. We have, but it is a minor offense, and when they are across State lines it is almost impossible to get them. Even in the State we have found that they are pretty hard to find.

Senator KERR. Are you telling us that the county officials in the State operation have encountered real difficulty in enforcing their statutes on that?

Mr. BURNEY. Not especially.

Senator KERR. Are they enforced generally?

Mr. BURNEY. Not too well, for this reason. Let me give you this illustration. Of course, our largest trouble is in the metropolitan area of Douglas County. I have been assured by the county attorney there that if he were to run down all these cases that the assistance people hand to him, it would take the full time of his entire staff to locate and punish these men.

Senator KERR. The assistance people are calling violations to his attention?

Mr. BURNEY. That is right.

Senator KERR. Do you think that the Federal Government should undertake to enforce that law?

Mr. BURNEY. No. What I am getting at here, and I will get to it a little later, is that we would like to have the Federal Government go along with the States. The States are working on a uniform law which will make it possible to bring these fathers back and forth across State lines.

Senator KERR. You mean there is a move now among the Governors of the States to bring about such action on the part of the States?

Mr. BURNEY. Yes, sir.

Senator KERR. That is not yet before the Congress?

Mr. BURNEY. No. We thought possibly that a Federal act right along in concurrence with that would make it more powerful.

Senator KERR. Would you write that into the social-security law or would you have that a separate piece of legislation?

Mr. BURNEY. Perhaps that would have to be a separate piece of legislation but we wanted to bring this in as part of the difficulties we are running into.

Many of the fathers, however, are known to be still within the county or city but, according to the welfare director of that county, the provision of the law by which a family becomes eligible for aid to dependent children because of "the continued absence of the father from the home" is an invitation for the mother to claim desertion while the father plays "hide and seek" with the case workers or investigators.

Senator KERR. As I understand it, that is the No. 1 example of the proposed change which when suggested is objected to on the grounds that it cannot be done because of the requirements of the Federal Government. That is what the statement says.

Mr. BURNEY. That is right. There might be a little discrepancy there in that statement.

Senator KERR. What requirement is there of the Federal Government that prevents a change in that situation by your State or local government?

Mr. BURNEY. This requirement is what is causing our difficulty. This statement in the social-security law, "continued absence of the father from the home," is one of the parts of the definition of a dependent child.

Senator KERR. You said up here that you have noticed "whenever the State legislature questions any part of the assistance program, or whenever proposals for change are under consideration, it is usually objected that we cannot do this because of the requirements of the Federal Government."

Mr. BURNEY. That is right.

Senator KERR. Now you give this as the No. 1 example of that which is required by the Federal Government?

Mr. BURNEY. Yes.

Senator KERR. It is a little bit confused in my thinking, to be honest with you.

Mr. BURNEY. The wording perhaps is not the best.

2. Our committee has evidence that many mothers who receive aid to dependent children squander the money, or spend it for their own pleasure, or give it to the father who is still in the vicinity but allegedly "absent from the home," or at any rate do not spend the money for the support of the children for whom it was granted.

Senator KERR. Is half of that money provided by the State and half provided by the Federal Government?

Mr. BURNEY. That is right, it is about on that basis. On the aid to dependent children, if the family is small, the State is appropriating more than the Federal Government in Nebraska.

Senator KERR. Now is there any requirement of the Federal Government with reference to what the State does in that matter?

Mr. BURNEY. It says that if one parent is absent from the home, we must put them on aid to dependent children.

Senator KERR. Does it say you must or that you may?

Mr. BURNEY. It may say that you may but I think that with the rulings that have come out and the actual working of the system, it is a must.

This means either that the county must step in and furnish food and clothing for the children out of general relief funds, despite the fact that aid-to-dependent-children funds were granted for that specific purpose, or else the children will remain as destitute as before despite the grant made for their care. Any suggestion that the welfare authorities should in such cases apply the aid-to-dependent-children funds to the direct needs of the children for food, clothing, rent, fuel, medical care, and so forth, is met by the objection that the Federal regulations require that the money be paid directly to the mother or other relative having custody of the children.

Senator KERR. Would that be necessarily true in the absence of this program of aid to dependent children?

Mr. BURNEY. What we would like would be more authority in the county.

Senator KERR. You would like more authority in the county to do what?

Mr. BURNEY. Perhaps apply it on rents or on food.

Senator KERR. You would like a change in the law to designate the county administrator as the guardian for these families?

Mr. BURNEY. Maybe that is what it would amount to. However, I want to call your attention to H. R. 6000. It is somewhere in the report of the House committee. This is put out by the public welfare and this is taken from the hearings in the House. I am going to show you that they have in the bill now a proposal to do the same thing on assistance on the medical.

Now on page 199 of this report the bill provides that Federal funds under old-age assistance may be used to match payments directly to medical practitioners and other suppliers of medical services in behalf of needy aged individuals which when added to any money paid to the individual does not exceed the monthly amount of $50.

They are recognizing in there that they must pay some of this money direct.

Senator KERR. Under the State law of Nebraska the parents are the natural guardians of the child?

Mr. BURNEY. That is right and that is where we would like to put the money.

Senator KERR. Under the law of your State, as I understand it, no one else can act as the guardian of the child in the absence of the judicial proceeding designating another as the guardian. Is that correct?

Mr. BURNEY. I do not think I would go that far in this kind of proceeding.

Senator KERR. Will you give me an example of an instance wherein a person other than the natural parent who has the custody of minor children can act in the capacity of their guardian?

Mr. BURNEY. In almost any case of relief it would seem to me if it is private relief or church relief, those people do not always hand the money to the people who are needing the food. They often pay for the food. I do not see what would be the difference in this. We would not necessarily have to have a guardian. The assistance director could apply the money to the bills.

Senator BUTLER. Senator Burney, is it a change in the law that you need or is it a change in the rules and regulations?

Mr. BURNEY. It is a change in the law. It says here in the Social Security Act, in title IV, in the definition part of that act——

Senator KERR. Now you are talking about H. R. 6000?

Mr. BURNEY. No; this is the law as it stands now, Federal Social Security Act, title IV.

The CHAIRMAN. You are referring to the minimum standards set up in the original act, the minimum requirements before the State could participate in the funds?

Mr. BURNEY. Right now I am talking about the definition in title IV. It says:

> The term "aid to dependent children" means money payments with respect to a dependent child or dependent children.

That is what I would like to have changed.

Senator KERR. What is the citation in the act?

Mr. BURNEY. Section 406.

Senator KERR. What page is that?

Mr. BURNEY. It is page 9 in this, but this just has parts. This is the Nebraska law. It is in section 406 under (b). It says:

> The term "aid to dependent children" means money payments with respect to a dependent child or dependent children.

In connection with the instance cited this morning by Mr. Vogt of the people who were going to be evicted from a public housing project because they were not paying their rent and he sent his case worker with the check and with the recipient to the Housing Authority and let them take the money out of that check, a reader comes along a week later and finds that notation on this person's report, and he says it cannot be done.

Senator KERR. You are going to make a suggestion as to a change in the law?

Mr. BURNEY. I would suggest that this be changed so that you can do the same thing under ADC that the bill, as it is now written, proposes to do with the medical.

Senator KERR. You would have to do that with the language?

Mr. BURNEY. Yes.

Senator KERR. You would have to do it with language at some place in the bill?

Mr. BURNEY. I imagine you would have to include the definition in the bill.

Senator KERR. How would you do that?

Mr. BURNEY. I am not sure I am enough of an attorney to word that but certainly they have the wording somewhere in the bill now that covers this point that I am citing with regard to medical.

Senator KERR. The reason I am asking you how you would word it is that I do not believe I understand exactly the purpose you seek to achieve.

Mr. BURNEY. We seek to achieve this purpose, that the local people can apply this money in cases where they find individuals who are not applying it where it should be applied. They are not going to worry about the people who spend it properly.

Senator KERR. The language you want would permit the local administrator to determine whether they were spending it properly?

Mr. BURNEY. I imagine that is what we are going to have to do.

Senator KERR. We are not talking about imagination; we are talking now about specific corrective language for a specific problem. We are talking about the objective now. You are recommending to us that we change the language so that the local administrative personnel will be the judge of whether the money is being spent properly by the recipient; and if in their opinion it is not, then they be given the authority to make such changes in the spending of it as they think is needful so that it will be spent in a manner which they regard as proper?

Mr. BURNEY. That is what we would like to do if we possibly can do that. I do not know if the wording can be worked out.

Senator BUTLER. Do I understand, Senator Burney, that under the terms of H. R. 6000 as proposed this proposal is made with reference to medical services?

Mr. BURNEY. It is.

Senator KERR. I do not understand that. I do not so understand that in that situation they give the Administrator the authority to determine whether or not money granted for medical attention is being properly spent and if in the judgment of the local administrator they find the recipient is not spending it properly, then they have the right to direct how it should be spent.

Senator BUTLER. That is about what the Senator asks in reference to the handling of ADC funds.

Senator KERR. I know it is, sir, but, as I see it, from what he has told us and from what I have read, he used the language with reference to the medical aid as an example of how to achieve that purpose. I should like to have him show the language which gives some local administrator that authority with reference to the money being provided for medical aid.

Mr. BURNEY. Because of the short notice that I was to come down here I did not have time to study H. R. 6000 thoroughly but I have this report of it and find this language:

> The bill provides that Federal funds under Old Age Assistance may be used to match payments directly to medical practitioners and other suppliers of medical services.

Senator KERR. I find the language which I think you are referring to on page 173 of that document, line 27, but I do not find anything that vests discretionary power in the local administrator based on his belief that money now being or about to be provided is being improperly spent.

Mr. BURNEY. Well, in this they have exempted the medical from the money payment.

Senator KERR. Is that what you would do with reference to rent?

Mr. BURNEY. I think we should go further than rent because these people need food, too.

Senator KERR. Then you would do that with reference to rent and food?

Mr. BURNEY. Yes, I would.

Senator KERR. You would then vest in the Administrator the power to take such part of the money as is provided for any individual recipient, spend what he thought should be spent and where he thought it should be spent for rent or food and the amount then provided for that recipient accordingly reduced?

Mr. BURNEY. Yes, the amount that was paid direct to him would be reduced.

Senator KERR. That would be a pretty drastic change, would it not?

Mr. BURNEY. I would want included in that an appeal so that no director could take advantage of this.

Senator KERR. Now who would you put in to supervise the director and who would pay for the rent and food while the appeal was pending?

Mr. BURNEY. The assistance people would still pay.

Senator KERR. What if it was quite an extended period of time?

Mr. BURNEY. In the State of Nebraska we have our State assistance director. We have our county directors and we have our State Board of Control who have charge of the whole thing. They do have an appeal system whereby if a recipient's payment is cut, they have an appeal, they can appeal to the Board of control, a body of three members.

Senator KERR. That is in reference to the determination of the extent of their need?

Mr. BURNEY. Yes, that is right.

Could we not also determine whether this were being abused by the director in that same method?

Senator KERR. I presume it could be done. What I was trying to ascertain is the extent to which you thought it ought to be done.

Mr. BURNEY. I think the local authorities must have some discretion along this line.

I can go back to the example given you by Mr. Vogt this morning where the Housing Authority is going to evict several families. Now, it is certainly a service for that director to hold the roof over the heads of those families by taking the check direct to the Housing Authority. Certainly, there was no abuse there.

Here is another problem we have with these people. This is not in my statement. Many of these people who are deserted have never handled the money of the family. Here comes a check for $150, we will say. It comes at one time for the whole month. Maybe they are sincere, maybe they try, but they have never handled money and it is all gone in one week and they have 3 weeks for which they do not have money with which to feed the children.

Senator KERR. How many examples do you have of families that have not had anything to eat for 3 weeks?

Mr. BURNEY. I mean they would not have, but then our local relief officers probably supply them with some food for the rest of the time. It costs double. Our ADC money has been granted and spent.

Senator BUTLER. Senator Burney, I do not think we in Nebraska or in any other State let people go without anything to eat for 3 weeks but if we give them one check the first week of the month sufficient to last a month and they do not use it properly, I certainly think the representatives of the administration, Nebraska, Douglas County, or Federal, are entitled to some sort of protection for the distribution of that 1 month's pay over the 1 month instead of delivering it in 1 week and then make it necessary to draw on whatever relief funds are available, be they private, public or what they are, to take care of the same people for the other 3 weeks in the month.

Mr. BURNEY. We of the committee felt that the taxpayers were entitled to that much consideration.

Senator KERR. You have under your State laws means available to take the custody of children away from parents when it is being abused?

Mr. BURNEY. We have.

Senator KERR. You have a method described, prescribed and set up whereby any neighbor or person having knowledge of the abuse of children can come into court and get a guardian appointed for them, do you not?

Mr. BURNEY. That is right.

Senator KERR. As I understand it, the Federal law recognizes that guardian which is the guardian by reason of the operation of the State law. The method of designating the legal guardian is purely a State matter, is it not, Senator?

Mr. BURNEY. In connection with taking over guardianship, I think I want to reiterate what Mr. Vogt said, that it entails more than just paying the bills of the families.

Senator KERR. If you have parents who will let children go without food for 3 weeks, that would constitute sufficient grounds to get a guardian appointed for them even if there were not a Federal ADC program.

Mr. BURNEY. If I understand the ADC program it is intended for the purpose of not breaking up homes. It is intended for the purpose of trying to hold those homes together.

Senator KERR. And it sets forth the home shall be as constituted by State law, does it not?

Mr. BURNEY. Not being an attorney, some of these things I cannot answer.

Senator KERR. Does not your statement here say that "any suggestion that the welfare authorities should in such cases apply the ADC funds to the direct needs of the children for food, clothing, rent, fuel, medical care, and so forth, is met by the objection that the Federal regulations require that the money be paid directly to the mother or other relative having custody of the children?"

Mr. BURNEY. That is right.

Senator KERR. Is not that custody a matter determined entirely by State law? You know that, do you not?

Mr. BURNEY. No, I am not versed on the State law, just relatively.

Senator KERR. If I am wrong in that matter I would like the gentleman here to correct me, but my understanding is that the status of the child and its care and custody is determined exclusively by State law.

Mr. BURNEY. Not by Federal?

Senator KERR. Not by Federal.

Mr. BURNEY. I think that is true.

Senator KERR. Am I right, Mr. Chairman?

The CHAIRMAN. Generally speaking, undoubtedly.

Senator KERR. As I understand the Federal law, it just recognizes that status and that care and that custody as fixed by the State law.

The CHAIRMAN. Yes; you are right.

I think Senator Burney here is suggesting that the States ought to have the aid of the Federal Government in restoring to the home the parents who are absent or who have gone across State lines.

You may proceed, Senator, and we will hear your suggestion.

Mr. BURNEY. 3. In 1947, the Nebraska Legislature enacted a law providing for payment of medical costs for assistance to recipients over and above the maximum allowed in the assistance law. It further provided that the State should bear 75 percent of the additional

cost, and the counties the remaining 25 percent. Most of the counties complied immediately and began meeting their share of the cost, but when it appeared that some counties might not be able, for budgetary reasons, to meet the additional cost without direct assistance from the State or until the legislature removed certain restrictions upon the taxing power of the counties, we were told that this violated the rule of uniformity and threatened the withdrawal of Federal funds, despite the fact that the change made was in the direction of liberalizing assistance payments rather than restricting them, and that the violation of the rule of uniformity, if it existed at all, was a purely technical one of limited duration, and one which worked no substantial injustice or inequality.

The problem of locating absconding fathers and compelling them to contribute to the support of their children is one primarily for the State and not the National Government, but it is believed that the States could be assisted in this matter by Federal legislation, especially inasmuch as many of the absconding fathers have fled to other States, and returning them under the present extradition laws is both difficult and expensive.

We do not argue that State and local officials are any more free from bias or other imperfections than are Federal officials, but we do believe that local authorities should be given more discretion in such cases as the ones outlined above. We do not wish to make our State or county welfare office a collection agency for merchants, landlords, physicians, or others, but we respectfully submit that when public funds are appropriated for the care of needy children, the local administrative agency should be empowered to see that the money is applied to the needs of these children and not expended for the comfort and pleasure of the parents whose irresponsibility created the plight of the children in the first instance.

We believe that substantially the same principles of public assistance should apply in every county and locality within the State, but we also believe that there is a definite advantage in making local officials feel that they have some responsibility both for providing the money and for determining local needs and standards. We believe further that conditions vary sufficiently from urban to rural counties and because of other local circumstances to justify a greater degree of local discretion than now exists.

In light of the foregoing observations, we respectfully urge that your committee recommend the following:

1. That Congress enact a law which would make desertion of children by parents a felony in order to assist the States in making their laws upon this subject more effective, particularly where the deserting parents have fled to other States.

Senator MILLIKIN. May I ask a question?

What purpose will be served by having the Congress declare desertion to be a felony?

Mr. BURNEY. It would be rather to work along with the States.

At the same time, we are urging our State legislature to enact a uniform and reciprocal nonsupport act in order to bring about closer cooperation with other States in this matter. It is very difficult to extradite a man at this time.

Senator KERR. It is a felony by State law I think in every State.

Senator MILLIKIN. I do not think so.

Senator KERR. For deserting a family?

Senator MILLIKIN. No. But assuming the State law has declared it a felony, it is in the province of the State to declare it a felony.

Mr. BURNEY. You would have to have your neighboring State agree.

Senator MILLIKIN. How would you do that unless the Federal Government took charge of the prosecution?

Mr. BURNEY. I suppose if it was Federal law, the Federal Government would have to take care of the prosecution.

Senator MILLIKIN. Then you would have to introduce the Federal Government into a whole new system of prosecution over a subject matter which heretofore had been considered a local matter.

Mr. BURNEY. Our State legislatures perhaps can do it but we are going to have to get the cooperation of the States around us or it will not have any effect. Our thought there was that possibly it could be hurried by Federal legislation, but I get your point there that the Federal Government would have to take the prosecution and they just probably could not do that.

Senator KERR. Mr. Chairman, as I understand it, there is a bill now pending here on which hearings were had before the Judiciary Committee last year making it a felony for one having deserted a family across a State line. As I see it, that is the only thing the Federal Government could do in the way of legislation.

Mr. BURNEY. I think that would answer our problem. There is such a bill now pending in the Congress.

Senator MILLIKIN. I say that would inject the Federal Government into a whole new series of responsibilities for criminal prosecution.

Senator KERR. It is similar to its action making kidnaping a felony.

Mr. BURNEY. It probably would deter some men from crossing the State line.

You see, here is one of our problems, if I may inject this. On one side of the Missouri River is our largest city, Omaha, and on the other side is Council Bluffs, Iowa. The man from Council Bluffs comes over to Omaha and the man from Omaha goes over to Council Bluffs and they still hold their old jobs and they are still deserters. If you could catch them while they were in the State, you would be all right.

Senator MILLIKIN. Although the Constitution uses very absolute language in defining the duties of the State to return a man under extradition proceedings, yet in practice the governor of a State where the fugitive is, has complete liberty to disregard the extradition proceedings.

Mr. BURNEY. The proceeding is expensive, to say the least.

Senator BUTLER. Mr. Chairman, I should like to ask either one of the members of the committee sitting here, who are all distinguished members of the bar, this question. This is a situation apparently that does cause considerable trouble in the operation of the program in Nebraska, especially Omaha. Admitting that it is causing trouble, admitting, too, that you do not want to take away from the parent the right to receive this money, what would be your suggestion for a solution? Would you continue paying the monthly allowance to a family with three, five, six, or eight children and letting trouble pile up or would you just discontinue paying relief?

The CHAIRMAN. Senator Butler, I think you might do either one. I think, however, if the money were being misused, misappropriated so to speak, after it had been turned over to the family or somebody

in the family, it would be incumbent under the law of the State to go in and appoint a guardian to take charge of the fund and let it be paid to a guardian. I do not think that it is a Federal function at all; it does not strike me as being a Federal function. I think it gets you into decidedly more trouble than you are in now.

Senator MILLIKIN. I wish to concur completely with what the distinguished chairman says. You get into vast deals with all sorts of things that make trouble, if this guardian has the right to select the grocer, the right to select the butcher, the right to select the clothing dealer. When you commence to give powers of that kind to individuals of that kind, there are great opportunities for scandal.

Senator KERR. There is a great temptation.

Senator MILLIKIN. There are great temptations for scandal. Pretty soon you have a favored groceryman, a favored butcher, and a favored clothing dealer.

Senator BUTLER. That would probably be all avoided by having the guardian appointed by the State.

The CHAIRMAN. I can see how that might be a difficult problem, especially in large cities, large commercial centers on or near a State line. Ordinarily we have what is called a county guardian or county administrator to administer estates.

Senator BUTLER. Are they called county guardians?

The CHAIRMAN. They are in my State.

Senator BUTLER. That is what they propose in Omaha, to make assistance directors county guardians.

The CHAIRMAN. If the parent is not disposed to take care of the children, administer the fund under the State and Federal laws available to them, why, then, this public official might be called in. It is productive of a lot of trouble, however, except in those cases where there has been desertion of the child or children by both parents. In the case of real desertion, actual desertion, of course that serves fairly well.

Senator BUTLER. In the case of the public housing project where there are something like 15 or 20 renters to whom the assistance director has given checks for the purpose of paying rent, that is included in the check they get but they do not pay the rent. The Federal Government there is interested, I think, to some extent because they help to provide the public housing. The assistance director apparently has taken pains to see that the gentleman representing the Public Housing Authority got his money from these assistance checks as they were delivered, but he was called to account for that and was told it was illegal and could not be done any more.

On the one hand we are handing out charity; on the other hand, you say you cannot take any of it to pay a public bill.

Senator KERR. It says you must deliver it to the lawfully constituted guardian as fixed by the operation of the State laws with reference to that child.

Senator BUTLER. They did that in the presence of the rental agency representative and the rental agency got its money. It is pretty hard to do that, I suppose, in the case of a grocery bill and all the other little bills pertaining to a family, but the principle involved is about the same.

Senator MILLIKIN. I believe, Mr. Chairman, that everyone has agreed we ought to plug those loopholes. The question is, In whom

should we vest the power to do it? Many of us dread the thought of extending the power of public officials over the details of what is supposed to be the private life of a citizen. So, when the suggestion is made that this power should be given to the gentlemen who are officials under this system, there are a lot of presumptions that cross the mind against doing it. I should like to see a good formula that would plug that loophole but not by giving it to those who administer the system.

Mr. BURNEY. If we could call the administrator not an administrator but a guardian, that, then, would be right along our way of thinking.

Senator KERR. The Federal Government has no authority to designate a guardian of children within any State.

Mr. BURNEY. The Federal Government has said in this definition that the money must be paid in the form of money.

Senator KERR. To whom? To the one having custody of the children?

Mr. BURNEY. We have to be practical along with our idealism. When you start out to find guardians for, we will say, 15 or 20 parents who are mentally sound and all that is wrong with them is that they do not use the money the way they should, you really have a difficult job.

Senator MILLIKIN. Would it be feasible to have a guardian for a special purpose just as we have an administrator to collect in the various States?

Mr. BURNEY. Possibly.

Senator MILLIKIN. He is not a general administrator, he does not have all the powers of an administrator; his job is to collect the assets of the State.

Reversing the process, could you set up a sort of functionary under State law who would have the power to disburse these funds?

Mr. BURNEY. Possibly so. It had seemed to us in our discussions that the relief director, when the recipient had the right of appeal, could not go very far wrong in the disbursement of these funds.

Senator MILLIKIN. Regarding your statement about spending all the money at once and having the children go hungry the rest of the month, that is where your credit mechanism comes in where the bills are run up at the stores, but I venture to say that if you assumed the right to direct the expenditures of people who spend too much immediately after they get their pay check, you would take in most of the people in the United States. I do not know of anyone who does not spend more when he has a full pay envelope than a few days afterwards.

Mr. BURNEY. It seems to be one of our weaknesses.

Senator MILLIKIN. We are all fat for a few days and then have to taper off for the rest of the month.

Have you had that experience?

Mr. BURNEY. Yes.

After all, our interest is in seeing that the ADC funds are paid to the recipients that should have them and that the funds do the job that they are given for and that these children on ADC are taken care of.

The second recommendation is that Congress amend the Social Security Act in such a manner as to permit local assistance agencies

to apply ADC funds to the direct need of children for food, clothing, rent, fuel, medical care, and so forth, when it is determined that the relative receiving the funds is not applying the money properly.

The third recommendation is that Congress consider the advisability of divorcing the requirements for medical aid from those relating directly to assistance in order that the States may develop their own programs of medical care for indigent persons without endangering the receipt of Federal funds for assistance purposes.

That again relates to the difficulty we get into sometimes when we try to allocate. We found that difficulty in two or three bills we tried to pass. We would get them along in the hopper and then we would clear with the Social Security office in the Capital and they would send it to Washington for clearance and it would come back, "We cannot stand for it."

The medical costs in Nebraska have gone up tremendously. One of the reasons that is given to us by the board members, that is the county board members and their assistance directors, is that they cannot have sufficient say-so on how they deal with these doctors. These county boards go out to these doctors and they make deals with them.

Senator KERR. Are you recommending that?

Mr. BURNEY. We think we can save a good deal of money by it and that is the reason we want to divorce it from the rest of the act so that we can administer the medical to our own liking. We believe in safeguarding the money and give the people the same medical care.

Senator BUTLER. In connection with that last paragraph where you suggest the advisability of divorcing the requirement of medical aid from those relating directly to assistance, does not the item in H. R. 600 which you read a while ago take care of that in the proposed bill?

Senator KERR. I understood him to say that is what it did do.

Mr. BURNEY. I think that is what we would like to have it do. I think that is what it will do.

Senator KERR. Your position in that regard is that by being able to contract for medical services for a group, you can get it cheaper?

Mr. BURNEY. That is right.

Senator KERR. Now that was not the basis of your recommendation for authority to spend the money for groceries and rent?

Mr. BURNEY. No; that is a different thing.

Senator KERR. That is a different thing entirely?

Mr. BURNEY. A different proposition.

Senator KERR. You did not contemplate by doing that that you could get the commodity cheaper?

Mr. BURNEY. No.

Senator KERR. Your thought was that you would just be in a position to insure that it was spent for those purposes for which the local administrator thought it should be spent?

Mr. BURNEY. Our position as a committee was, as we discussed it, that this party go out and buy his groceries, contract for his rent. They would still be free agents. But where they have proven that they cannot take care of the money, let the administrator apply the money.

Senator KERR. They could issue stamps instead of money that would be redeemable only for groceries?

Mr. BURNEY. That would answer the question, I suppose.

Senator MILLIKIN. Would we not have a small segment of the grocery people who would give them money for the stamps instead of groceries?

Senator BUTLER. We in Nebraska need to consult with some of the people down in Georgia and find out how to organize our set-up so that we will have a county guardian.

Mr. BURNEY. I think that might answer the question. They can get by with it. We have not been able to get by with it.

Senator MILLIKIN. Do you have a juvenile court system in the State?

Mr. BURNEY. We have in the city. Of course we have through the State but our committee now is working on these laws pertaining to juvenile courts and probation.

Senator MILLIKIN. I am talking off the cuff and I will question Mr. Kouns, our own director from Colorado, when he appears tomorrow, but I believe any person cognizant of the neglect of children who have benefits of this kind could appear before our juvenile court in Denver, the parents would be haled into court, and the court would have complete jurisdiction to see that that money was spent in the way it should be spent.

Mr. BURNEY. I think it should be handled through the juvenile court.

Senator MILLIKIN. Is Mr. Kouns here?

Mr. KOUNS. Yes, Senator.

Senator MILLIKIN. I stated to the gentleman that according to my off-the-cuff memory, anyone can appear before our juvenile court, develop neglect of children, and if the court is convinced, the court can take complete jurisdiction of the whole subject matter, including the parents, and see that the money due the kids for the care of the kids is properly applied.

Mr. KOUNS. That is right; and also it includes the county courts in the counties that do not have juvenile courts that handle juvenile matters.

Senator MILLIKIN. I suggest that is your probable solution.

The CHAIRMAN. Thank you, Mr. Burney, for appearing here today.

Mr. BURNEY. Thank you, Mr. Chairman.

The CHAIRMAN. Dr. Irwin?

STATEMENT OF DR. R. B. IRWIN, REPRESENTING AMERICAN FOUNDATION FOR THE BLIND, NEW YORK, N. Y., AND AMERICAN ASSOCIATION OF WORKERS FOR THE BLIND, BROOKLYN, N. Y.

Dr. IRWIN. The American Foundation for the Blind has its headquarters in New York City but it has members all over the United States—about 70,000.

Mr. Chairman and gentlemen of the committee, I appreciate the opportunity to appear here before you because the American Foundation for the Blind and the American Association of Workers for the blind have been interested in the Social Security Act insofar as it applies to the blind ever since it was passed.

We were largely instrumental in having the categorical aid for the blind included in the act and we have watched very closely its administration over the past 15 years.

We especially are gratified to comment on H. R. 6000 because this act includes certain amendments that we have been advocating for a long while. One section recognizes that it costs a blind person more to live than a seeing person and directs the administrators in the various States to take into account the special expenses growing out of blindness—such as guide service and so on—in evolving the budget or determining the amount which it costs a blind person to live, and therefore the amount of his allowance.

The bill also enables the Administrator to encourage blind people who are on relief to develop earning power which will enable them to gradually get off relief. You were speaking about that this morning in connection with other disabled people. Probably the blind people are among those disabled who have the greatest difficulty adjusting themselves to their new situation and learning to work in the dark, so to speak, takes them quite a while.

Under the law the Administrator had little choice in the matter. If a blind man developed earning power and earned $10, $15, $20, or $25 a month, his allowance was immediately cut by that amount and until he got to earning more than his total allowance, there was no incentive for him to develop earning power. With older people that was pretty difficult sometimes.

We are very glad that this bill now proposes to amend the act in such a way that blind people can be permitted to earn up to $50 a month before they are cut. Of course that is worked out in cooperation with the rehabilitation authorities in the State and we hope that in any amendments you introduce in the bill in the Senate you will not inadvertently disturb that because that is something we have been working on for a long while and believe in it very strongly.

Some of us feel that the bill might have gone further in exempting more earnings and also exempting some other income that was not earnings, such as gifts and so on. However, whether that is done or not, I want to say that the present form of the bill is acceptable to the American Association of Workers for the Blind and the American Foundation for the Blind and the National Federation of the Blind.

Senator MILLIKIN. May I ask a question, please?

I have a distinct memory that during the Eightieth Congress we established a $50 exemption. What happened to that?

Dr. IRWIN. That was in connection with the tax?

Senator MILLIKIN. Yes.

Dr. IRWIN. That went through. Blind people are permitted to take a deduction of $600 a year.

Senator MILLIKIN. I am not talking about the tax deduction. That went through?

Dr. IRWIN. Yes; that went through.

Senator MILLIKIN. We allowed a $50 base which would not be disturbed by the benefits.

Dr. IRWIN. The President vetoed that.

I understand that the Administration has no objection to the present wording. I do not know that the President has said so but those close to him have said so.

Senator MILLIKIN. You are asking for the same thing now?

Dr. IRWIN. Substantially the same thing.

Senator MILLIKIN. We recommended that out of this committee, we got it through the Congress, and it was vetoed by the President?

Dr. IRWIN. Yes.

Senator MILLIKIN. Now you understand the Administration is agreeable to that which was vetoed at that time?

Dr. IRWIN. Yes; slightly modified.

I think some people wish they might go back to the old bill but the American Foundation for the Blind is not pressing for that in particular because we are quire delighted in the step you have made. I think perhaps we wish it would go still further. This is a great step forward and we are delighted.

Senator MILLIKIN. It will be a great step forward if it is not vetoed?

Dr. IRWIN. Yes. He would have to veto the whole thing now.

There was considerable discussion of that entire subject in the hearings before the House, if anyone has any questions about it, but I think that has pretty uniform support. The only question about it is, how far you should go.

I should like to call your attention to the disability insurance provision in the law so far as it relates to the blind. We sincerely hope that that provision will be retained in the law because it will place blind people who lost their sight while they held a Social Security card in a position to receive aid in a way that is not humiliating and it will be a very acceptable way of helping the blind for that reason.

We had hoped that the allowance for the blind or for any other person who has to have an attendant a good deal of the time might be increased in somewhat the same way as the income-tax law provides, by counting as a blind person's allowance the standard allowance such as he might receive under OASI plus one dependent. That is the amount which was determined in the income-tax law, that is, the special expenses of the blind were about equivalent to one dependent. If the members of your committee would be interested in that, I would be very glad to suggest the wording of that provision which would make the allowance practical and fair, I am sure.

The CHAIRMAN. If you have it, Dr. Irwin, you may leave it with the reporter.

Dr. IRWIN. I do not have it with me today. I will mail it down.

The CHAIRMAN. You may mail it to us and we shall be glad to have it in the record.

(The provision referred to is as follows:)

AMERICAN FOUNDATION FOR THE BLIND, INC.,
New York 11, N. Y., February 2, 1950.

Hon. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
Senate Office Building, Washington 25, D. C.

MY DEAR SENATOR: I want to thank you for the privilege of appearing before your committee last Wednesday.

I am especially interested in that part of H. R. 6000 which provides for a disability insurance to persons who become blind while they hold a Social Security card. I sincerely hope the Finance Committee will retain this section in the act.

The general theory under which benefits are paid is that of partial compensation for wage loss. However, a larger fraction is given under existing law to an individual with specified dependents than is given to an individual without such dependents. The theory of the larger benefit is that the social purpose of the act requires it to recognize the fact that an individual with dependents needs a more adequate floor of protection than one without dependents. On exactly the same reasoning, an individual who has the disability of blindness should be recognized as needing a larger floor of protection than would an individual with a disability not entailing the special additional expenses incidental to blind individuals.

I would like to suggest that, in addition to the primary benefit, an allowance be made for blind people equal to say 25 percent of their primary benefit, which will enable them to employ guide service during part time. One of the greatest afflictions of blindness is the inability to move about at will. Under present hazardous traffic conditions it is about as much as a blind man's life is worth for him to venture forth on the street without a guide.

Many of us feel that a disability insurance for the blind is long overdue. When the Social Security Act was first passed, it provided special assistance in title I for the needy aged and in title X assistance for the needy blind. In order that the aged might eventually be less dependent on charity, as is the case when they apply for assistance under the present title I, a title II was incorporated providing an old-age and survivors' insurance program. Title X provides for assistance to the needy blind, but the act does not contain a corresponding section providing a disability insurance for persons losing their sight while holding a Social Security card—an insurance which they would receive as a right.

If you include in the new act a contributory disability-insurance plan, most of the blind people of the future will eventually be covered, greatly adding to their self-respect and relieving them of the insecurity which always haunts the man whose income depends upon the judgment of others and upon the exigencies of State and county appropriations.

Very truly yours,

ROBERT B. IRWIN.

Dr. IRWIN. I would also like to comment on the definition of blindness in the act.

You know, only about one-third of the blind people in this country are what might be popularly referred to as dark blind.

Senator KERR. You mean one-third of those designated as blind?

Dr. IRWIN. Yes. Two-thirds of them have a little sight. It may be only light perception or it may be that they can see a moving object which may keep them from running into a chair and help them to get around in the streets, up to 5 percent which enables them to see a little bit, enough to read headlines in the newspapers, perhaps, if they got it in the right position.

Your definition of blindness is 5/200 vision as the measure of acuity and the field of vision is 5-degree angle of vision. That is a rather unusual definition of blindness. It is the one that is used by the Veterans' Administration, I think, for total blindness.

We have found in work with blind people both in the field of rehabilitation and in relief and for taxing purposes and so on that a broader definition of the blind is more realistic. Some medical men who have worked with us on working out a definition of blindness have defined blindness as your definition is in this act excepting that it makes it 20/200 instead of 5/200 vision and it provides a field of vision that is 20 degrees instead of 5 degrees. Five degrees vision is about what you would see through a keyhole.

Senator KERR. Actually you are recommending that this be increased in the language of the statute, which is 5/200, or 2½ percent, to 20/200, which would be 10 percent?

Dr. IRWIN. Yes; and that is the definition which was recommended by the Social Security Act in the past, in the administration of the act in the past, and also the Vocational Rehabilitation Department. It is the practical definition that is used in the great majority of States.

I would recommend that you investigate that subject because we feel that the definition is too restricted.

Now it is not quite as bad as it sounds because a person who has more than 5/200 vision may still be declared to be totally disabled under the act and receive the allowance as an annuity, but he will have to demonstrate it and it is a little hard to demonstrate in each

case. If they took the definition which is generally accepted throughout the country, then all that the administrators would have to find out is whether he had that particular amount of vision, which is customary, and most of the doctors are familiar with it. Three-fourths of the people are automatically admitted because they have less than 5/200, and those over that have to prove that they are disabled.

I would also like to speak of the provision in lines 6 to 12 on page 182 of H. R. 6000 where it provides that you have an eye examination by a physician skilled in the diseases of the eye or by an optometrist. Now an optometrist may determine the degree of vision but an optometrist is restricted by law to treating and diagnosing cases of refraction errors only.

Now under the present law in most of the States a blind applicant for relief must be examined by an eye specialist—a physician skilled in the diseases of the eye. In many cases it is the first time that a person has been examined for a good many years. There have been hundreds, probably thousands, over the years, of blind people who have been found to have an eye condition that could be improved by treatment and have their sight either partially or totally restored.

In Illinois, a few years ago, in 1 year there were something over 140 blind people taken off the list of blind-relief recipients and their sight was restored and they were rehabilitated and it gave them the satisfaction and benefit of sight for the rest of their lives, we hope, and it saved the taxpayers a good deal of money.

Therefore, we strongly recommend that this be not left open, so that a person must be examined either by a physician skilled in the diseases of the eye or when such a person is not available in the county, as they tell me is the case in some counties in this country, then they should at least have a physician examine his eyes rather than a man who is not permitted to go any further than to pass on refraction errors.

Mr. Chairman, I think that is all I have to say.

The CHAIRMAN. Are there any questions to be asked of Dr. Irwin by any members of the committee?

Senator MILLIKIN. I was wondering if during the hearings we might have statistics on the rehabilitation of the blind so far as adjustment to vocational pursuits is concerned.

Dr. IRWIN. I think the Office of Vocation and Rehabilitation has some very interesting figures on that.

Senator MILLIKIN. Thank you very much.

The CHAIRMAN. Thank you very much, Doctor.

Dr. IRWIN. I thank you for this opportunity and I sincerely hope that you will keep in the bill the disability insurance against blindness.

The CHAIRMAN. We thank you, sir, very much for your appearance.

Mr. Salmon.

Dr. IRWIN. Mr. Salmon is not here. I am speaking for Mr. Salmon.

The CHAIRMAN. Now we will go back to Mr. Wray who wishes to be heard. Do you have anything you wish to say, Mr. Wray?

Mr. WRAY. No.

The CHAIRMAN. Are there any other witnesses present in the room who have not been heard? If no other witnesses are present in the room, the committee will recess until 10 o'clock in the morning.

(The following material was submitted for the record:)

THE MASSACHUSETTS MEDICAL SOCIETY,
Boston 15, Mass., January 25, 1950.

Senator HENRY CABOT LODGE, Jr.
Senate Office Building, Washington, D. C.

DEAR SENATOR LODGE: The medical aspects of H. R. 6000 as contained in the attached summary were examined by the committee on medical economics, the executive committee of the committee on legislation and the subcommittee on national legislation of The Massachusetts Medical Society and the following action taken:

1. Approved.
2. Approved.
3. Approved.
4. Disapproved. In certain instances blindness can only be determined by a complete examination and evaluation of the patient as a whole. Therefore, the committees feel that examinations to determine blindness should be made only by physicians skilled in the diseases of the eye.
5. Disapproved. The committees are in agreement with the views on permanent total disability insurance expressed by the minority on pages 164 through 166 of House Report No. 1300, Eighty-first Congress, first session. They also are in agreement with the views expressed in Memorandum of Dissent by Two Members of the Advisory Council on Social Security to the Senate Committee on Finance beginning on page 184 of House Report No. 1300.

Respectfully submitted.

By direction of the President:

CHARLES G. HAYDEN, M. D.,
Chairman, Subcommittee on National Legislation.

SUMMARY OF MEDICAL ASPECTS OF H. R. 6000

There is before the Congress, H. R. 6000, the stated objectives of which are: "To extend and improve the Federal old-age and survivors' insurance system, to amend the public assistance and child welfare provisions of the Social Security Act, and for other purposes." This bill introduces into the Federal social security program several concepts which have a direct bearing upon medical care. These are:

1. Federal funds under old-age assistance may be used to match payments directly to medical practitioners and other suppliers of medical services in behalf of needy aged individuals, which, when added to any money paid to the individual does not exceed a monthly amount of $50. Under the existing law, the Federal Government does not participate in the cost of medical care for recipients unless payment for such care is made directly to the recipient.
2. The Federal Government would share in the cost of payments to old-age assistance recipients living in public medical institutions other than those for mental disease and tuberculosis. Under existing law, the Federal Government participates in the cost of assistance payments to persons residing in private, but not in public institutions.
3. It would provide as a requirement for a State plan that, if the public asistance programs in a State include assistance to persons in public or private institutions, the State plan must also provide for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions.
4. It would provide as a requirement for a State plan that, in determining whether an individual is blind, there shall be an examination by a physician skilled in the diseases of the eye or by an optometrist. Existing law does not indicate how blindness is to be determined.
5. It would provide for a system of permanent and total disability insurance to cover all persons included under old-age and survivors' insurance as well as those entitled to benefits under public assistance.

Assistance payments would be available only to those needy disabled who either cannot qualify for insurance payments or who need supplementary aid.

Insurance payments would be available only to those covered wage earners and self-employed persons who have been regular and recent members of the labor force and who can no longer continue gainful work.

An insured worker, to qualify for permanent and total disability benefits, must be stricken with an illness, injury, or other physical or mental impairment which makes it impossible for him to continue any substantial gainful activity. It would not be sufficient that he be disabled only for his customary work; he must be disabled for all types of work, and the impairment must be permanent. An insured worker would also be disabled, by definition, if he is blind within the meaning of the term as used in the bill.

Benefits would be paid to qualified disabled workers for the month following an initial waiting period of six consecutive calendar months of total disability.

Benefits for dependents of disabled beneficiaries would not be provided because of the added costs to the program.

A limited number of professional people would be required on the staff of the Bureau of Old-Age and Survivors' Insurance to make determinations of disability.

STATE OF COLORADO,
DEPARTMENT OF PUBLIC WELFARE,
Denver 2, Colo., January 23, 1950.

Senator EUGENE MILLIKIN,
Senate Office Building, Washington, D. C.

DEAR SENATOR MILLIKIN: The amendments to the Social Security Act passed by the House of Representatives as H. R. 6000 contains a new phrase on page 182, line 12, that I sincerely believe would result in chaos in the care of the indigent blind, should it become law. The phrase provides that optometrists may be employed for the examinations of individuals to determine their eligibility for aid to the blind.

It seems to me that the employment of optometrists in making these examinations can lead only to confusion, inefficiency, and additional expense. One must bear in mind that the average optometrist is experienced and trained only in the fitting of glasses and that he has had little training or background in the diagnosis of disease conditions of the eye, and practically none in their treatment.

From our experience with aid to the blind in Colorado I should like to point out some of the reasons that would seem to make the inclusion of optometrists in the program undesirable.

Inasmuch as the plan includes the granting of money to indigents, there is considerable incentive to malingering. Whereas an optometrist might be able to record vision suitably, he would not be in a position to examine an eye medically and from this examination suspect that the eye be capable of better vision than the client admits. Nor are optometrists in general experienced in the conduct of malingering tests.

As the visual status of a client may change, it is highly desirable to have a medical diagnosis of the eye condition so as to know what visual change may be reasonably expected. This is important in estimating the duration of the grant or the frequency with which reexaminations should be carried out. Optometrists in general are not qualified to make such a medical diagnosis or to give any satisfactory estimate of the prognosis of a visual condition.

In Colorado, the aid-to-the-blind law specifically requires that prior to granting assistance, a medical determination must be made as to whether vision can be corrected or improved by remediable surgery or treatment. If such treatment can be reasonably expected to improve vision or restore sight, the applicant must submit to corrective surgery or treatment as a condition to receiving any form of aid-to-the-blind assistance.

Partly as the result of this remediable program, the incidence of blind indigency in the State is considerably below the national average. Obviously, the report of an examination by an optometrist would be valueless in such a program.

The compilation of reliable statistics as to the causes of blindness in a community is a matter of importance in making any plans for the prevention of blindness. Carefully obtained medical diagnoses of ocular conditions are essential to such a program.

Colorado has attempted to employ its best medical and surgical talent for the relief of the indigent blind. Examinations are conducted only by eye physicians designated by the State department of public welfare. The policy of the department in selecting examiners is to choose only physicians holding a certificate of the American Board of Ophthalmology, or showing comparable qualifications. To depart from this policy and to include optometrists would represent a serious lowering of standards.

I wish earnestly to solicit your help in preventing this unfortunate proposal from becoming law.

Respectfully,

JOHN CHENAULT LONG, M. D.,
State Consulting Ophthalmologist, Department of Public Welfare.

(Whereupon, at 4 p. m., the committee recessed until Thursday, January 26, 1950, at 10 a. m.)

SOCIAL SECURITY REVISION

THURSDAY, JANUARY 26, 1950

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

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George, chairman, presiding.

Present: Senators George (chairman), Johnson (Colorado), Kerr, Millikin, and Butler.

Also present: Mrs. Elizabeth B. Springer, acting chief clerk; and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will please come to order.

Mr. Kouns, I believe you are the first witness. Come around, please, sir.

STATEMENT OF EARL M. KOUNS, DIRECTOR, COLORADO STATE DEPARTMENT OF PUBLIC WELFARE

Mr. KOUNS. I am Earl M. Kouns from Colorado, Mr. Chairman.

The CHAIRMAN. You are the director of the Colorado State Department of Public Welfare?

Mr. KOUNS. Yes, sir.

The CHAIRMAN. All right, Mr. Kouns. You may be seated, and we will be glad to hear you this morning.

Senator MILLIKIN. Mr. Chairman, Mr. Kouns has been in this business for a long time and is a very highly respected man in the State of Colorado.

The CHAIRMAN. I think Mr. Kouns has been down before this committee on one previous occasion.

Is that correct?

Mr. KOUNS. Yes, sir.

Senator JOHNSON. You might tell them, Earl, who appointed you.

Mr. KOUNS. Mr. Chairman, I might say that 9 months before the Social Security Act went into effect, Gov. Ed C. Johnson sent for me and asked me to organize a department and administer the program of relief for those 9 months before the act went into effect. So it was Senator Ed C. Johnson who was responsible for my being there.

The CHAIRMAN. I see.

Senator JOHNSON. Mr. Chairman, I might observe that we had State pensions before the Federal act was on the books, and Mr. Kouns was in charge of it at the time the Federal act was made effective. And we were paying pensions to a considerable number of citizens at the time the Federal act became effective.

The CHAIRMAN. We will be very glad to hear you, Mr. Kouns.

Mr. KOUNS. In March 1936 the last month before the Social Security Act went into effect, we were paying an average of $17.72 apiece to 21,679 people over the age of 65.

I have been the director of the Colorado State Department of Public Welfare for approximately 15 years. The State department of public welfare supervises the administration by the 63 county departments of public welfare, of old-age assistance, aid to dependent children, aid to the blind, and a program for the prevention of blindness and restoration of eyesight, general assistance, tuberculosis hospitalization, child welfare, and other public welfare services.

During this period the cost of Public Assistance has continued to increase and very few changes have been made in the old-age and survivors insurance program.

Senator MILLIKIN. Mr. Chairman, may I interrupt to ask Mr. Kouns to be good enough to explain the administration of our system in Colorado, the relation of the counties to the whole program and the municipalities to the whole program?

Mr. KOUNS. The public-welfare program in Colorado is known as "county administered, State supervised." The cities, with the exception of Denver, which is both a city and county, do not enter into the picture. The total expenditures are shared about 60 percent by the State, 31 percent by the Federal Government, and 9 percent by the counties. We adopt the rules and regulations, and the county actually administers the program.

Senator MILLIKIN. Thank you very much.

Mr. KOUNS. We wish to submit the following recommendations for amendments to the Social Security Act——

Senator MILLIKIN. Will you, at some time during the course of your statement, tell us the cost of the program in Colorado; how we raise the funds there to do our own matching?

Mr. KOUNS. As to the money for old-age assistance, or old-age pension, as it is known in Colorado, the State funds are derived 78 percent of the 2 percent sales tax, 12 percent from liquor tax, and the remaining 10 percent from an additional 10 percent on inheritance tax, corporation fees, and a few miscellaneous items.

Senator MILLIKIN. And those taxes are raised and segregated in that way by constitutional amendment, are they not?

Mr. KOUNS. Yes, sir; they are placed in the old-age pension fund by constitutional amendment. As to the remaining funds from the State, 15 percent of that same source goes to aid to dependent children, aid to the blind, and child-welfare services. Then, for tuberculosis hospitalization and general assistance, the money is appropriated directly out of the general fund.

Senator MILLIKIN. How big is that? How sizable is it? I am referring to the appropriation out of the general fund.

Mr. KOUNS. The State appropriation for aid to dependent children is $1,800,000 per year, general assistance is $750,000 per year, and tuberculosis assistance is $250,000 per year.

Senator MILLIKIN. That totals how much out of general revenues?

Mr. KOUNS. Well, part of it comes out of that remaining 15 percent from the sales and liquor tax before it gets to the general fund.

Senator MILLIKIN. How much do we appropriate out of the general revenues?

Mr. KOUNS. About a million and a half per year for all purposes. Then the county's share is raised by ad valorem taxes on property.

I might add, here, that the total cost of administration, including both State and county expense, is approximately 3½ percent of the money expended. That is for the total program, and a great deal of our program, or at least some of it, particularly home teaching for the blind and child welfare services, is mostly administration, because it is a service; but all added together, our administrative expense represents approximately 3½ percent of the total expenditures.

Senator MILLIKIN. How does that compare with national averages?

Mr. KOUNS. I do not happen to know the national average, but I heard some testimony yesterday, and it is much lower than that which was testified to yesterday.

Senator MILLIKIN. I think it was testified to yesterday that it was around 6 percent, or something like that, was it not?

Mr. Cohen, do you have any figure?

Mr. COHEN. Yes. Colorado is substantially less, as I recollect it, Senator. The national average, as I recall, was somewhere between 6 and 8 percent, in the combined program.

Senator MILLIKIN. Thank you.

Mr. KOUNS. In Colorado, approximately 25 percent of the total number of old-age and survivors insurance recipients are also receiving old-age-assistance payments. To supplement OASI payments, it is necessary to grant aid to dependent children to approximately 15 percent of the children receiving old-age and survivors insurance.

We recommend that the old-age and survivors insurance sections of the Social Security Act be amended to provide for greater coverage and more adequate payments, which will inevitably result in a decrease in the need for public-assistance expenditures.

Senator MILLIKIN. We have had quite a little discussion of that point, here, since these hearings have started. There is some opinion that no matter how high you raise your insurance, you are simply starting a new plateau for enlarged public assistance. What do you think about that?

Mr. KOUNS. Well, I don't agree with that; because in checking you find that there are nearly 2,500 primary beneficiaries under old-age and survivors insurance that we are also paying an old-age pension to; and under our constitutional amendment, the amount they receive will be deducted. So that if they receive adequate old-age and survivors insurance, they won't be receiving old-age pension.

But on all the other programs, it is definitely based upon budgetary need. And, for instance, on aid to dependent children it is on the basis of a budgetary deficiency. So these children are now receiving an average of about $12 a month per child under old-age and survivors insurance, and we supplement 15 percent of them to make up the remainder of their budgetary needs. And certainly if old-age and survivors insurance paid them adequately, at least to equal the minimum budget, we would not pay them anything.

Senator MILLIKIN. Do you not believe, Mr. Kouns, that if the Federal Government increased the amount of public assistance for matching, it would exert a pressure on the State to also increase the public assistance?

Mr. KOUNS. No, sir, I don't. Because with the exception of old-age pension, which is on a basis of need but on a different basis, all the programs are based upon budgetary need. And if the Federal Government increased its old-age and survivors benefits, it would

eliminate a lot of those cases from applying for public assistance. And if Congress increased the Federal participation in the public assistance section, we would still administer it on the basis of the minimum budgetary need. So it would not increase.

Senator MILLIKIN. But has not the effect in the past been to raise your level of State expenditure as the matching funds became available?

Mr. KOUNS. No, sir. Because ever since the beginning of aid to dependent children, which is the largest program outside of the aged it has always been on the basis of budgetary need. It is true that for several years we did not have the money to pay that minimum budgetary need, which we are now paying; but it has brought the payments up more equal to their minimum budgetary needs.

But under no circumstances would it go beyond that.

Senator MILLIKIN. Budgetary need is, I suggest, perhaps not a static conception. As money is available, do not the budgetary needs have a tendency to be interpreted more liberally?

Mr. KOUNS. We have not found that. We have tried to provide through the budget that we give a fair decency of minimum living and stop at that.

Senator MILLIKIN. I would like to put this to you. On the insured side we are working with a fixed number of dollars. We pay in a fixed number of dollars, and we get out a fixed number of dollars, as established by the law. Now, we have had a serious decline in the value of the dollar, and we might have a further decline in the value of the dollar. How are you going to meet this budgetary need if the dollar should continue to decline in value, except to supplement it with an increasing amount of public assistance?

Mr. KOUNS. That is true, Senator Millikin. But the budget we have in Colorado is what is known as a quantity budget. And a person needs so much for shelter, and naturally if the cost of shelter goes up we have to put more in the budget. He needs a certain quantity of food, and then each county prices that food locally, so that it is applicable to the cost of food in the county; and, naturally, if the price goes up it takes more money, but the recipient is still getting just enough to provide a minimum budget.

Senator MILLIKIN. But it takes more dollars to do that if you have a declining value.

Mr. KOUNS. That is true.

Senator MILLIKIN. And you are getting a fixed number of dollars out of your insurance system.

Let us make a case out of it, and let us assume that you have an insured person receiving $22.50 a month. Let us assume that. Now let us assume that you determine that his need is, let us say, $75 a month. You then give him, out of public-assistance funds, the difference between $22.50 and $75, do you not?

Mr. KOUNS. That is right.

Senator MILLIKIN. All right. Now, if that $22.50 which he receives by insurance should go down to a purchasing power of, say, $10, or $5, his need remains the same, and he has got to have more dollars some place or other. He cannot get it out of insurance. He therefore has to get it out of increased public assistance.

Mr. KOUNS. That is true. But if you do not increase his payment, then the spread between what he gets and what he needs to survive is greater, and if you do not follow the cost of living through the insurance program and increase it accordingly then you require more and more public assistance to pay the difference between what he gets and what he needs.

Senator MILLIKIN. That raises the fundamental thing that I put to you: that in your insurance program, while every session of Congress could be raising insurance payments, it would also have to be raising contribution.

Mr. KOUNS. That is right.

Senator MILLIKIN. So your insurance system has a sort of inflexibility in it; not a complete inflexibility, because the Congress can do as it will undoubtedly do this time, increase the benefits to compensate in part for the increased cost of living.

Mr. KOUNS. That is right.

Senator MILLIKIN. But I do not believe that anyone that is in favor of this insurance system believes that every year we should come in here with a whole new revolutionary change in whatever there is of the insurance basis in the system.

Mr. KOUNS. I agree with you, Senator Millikin. But I think after 10 years certainly some adjustment is due.

Senator MILLIKIN. I do, too.

Mr. KOUNS. And I would not recommend that you change it every 2 years or 4 years, but——

Senator MILLIKIN. I agree with you completely on that, but I am simply suggesting that unless you had every session of Congress fiddle around with changing these insurance contributions and insurance benefits, unless you kept that up with the increasing cost of living, you have got to take care of the fellow's need with increased public assistance.

Mr. KOUNS. That is right.

We recommend that the old-age and survivors insurance sections of the Social Security Act be amended to provide for greater coverage and more adequate payments, which will inevitably result in a decrease in the need for public assistance expenditures.

Public assistance, H. R. 6000: In general we recommend enactment of the provisions of H. R. 6000 which amend the public-assistance sections of the Social Security Act.

Senator MILLIKIN. Would you rather have me hold up until after you have finished your statement, or would you rather have me question you as you go along?

Mr. KOUNS. I would rather have you question me as I go along, Senator.

Senator MILLIKIN. Let me ask you this: We have had a lot of testimony on the increased coverage, and I would like to talk to you about the farm opinion in our own State. Are the farm proprietors in favor of increased coverage?

Senator KERR. To the extent of including farm workers, do you mean?

Senator MILLIKIN. Yes. I would like to take it in two bites, one to take care of the farm workers, and one to come in under the self-employed theory.

Mr. KOUNS. Senator Millikin, I cannot answer that question directly. However, I did write to the Colorado Farm Bureau in Denver, and received this letter:

> The board of directors will be holding a regular meeting January 13 and 14, and I will take the matter of their stand on social security up with them and take their answer at that time.

I did not receive the answer.

The Grange of Colorado, under date of December 19, wrote me—

> In reply to your letter of the 15th, I am enclosing the resolution adopted at the National Grange session last month in Sacramento. Also, at the bottom of the page is the stand adopted by the State grange in Colorado. You will see that the National Grange action, and though we have always been opposed to social security for farmers and farm workers, indicates that they are now favorable toward a trial and the State's authorizing the appropriate legislation.

And the National Farmers' Union advised that they had always been in favor of coverage of both farmers and farm workers.

Senator MILLIKIN. What did you say at the last there? The farmers union?

Mr. KOUNS. I referred to a letter from the National Farmers Union, James G. Patton, president.

Senator MILLIKIN. Yes; I understand they have been favorable.

Let me go back to that Grange business. Do they want this selective according to those States which authorized it? I did not quite get the concept that you read.

Mr. KOUNS. Well, Senator Millikin, I don't either. The resolution adopted by the National Grange in San Francisco states:

> Therefore, be it resolved that we favor extension of coverage to farm people on a trial basis, working toward the perfection of a practical plan; that coverage be extended to farm people in those States adopting appropriate legislation; that the executive committee be authorized to advocate the Grange stand favoring general coverage of farm people if it is satisfied that the plan proposed is workable.

Then the State action is that:

> The State Grange of Colorado is favorable for the inclusion of farm operators and workers when and if a practical and workable plan can be worked out.

Now, I presume they mean the question of coverage and collection of the payments. That is what I presume they are talking about.

Senator MILLIKIN. What would be your personal judgment on it? You get around quite a little bit.

Mr. KOUNS. I do know that in 1933, when I was in Pueblo and was county commissioner, the farmers and farm workers were among the many applicants for public assistance. And I do know that particularly the farm workers in Colorado present a real problem to public assistance.

Senator MILLIKIN. Would you say that that Grange resolution covers both the proprietor and the worker?

Mr. KOUNS. Very definitely. Because the Colorado action is that "the State Grange of Colorado is favorable for the inclusion of farm operators and workers."

Senator MILLIKIN. I see. Thank you very much.

Now, the Farm Bureau has not thrown in its line yet?

Mr. KOUNS. I had not received a letter yet when I left Denver.

Senator MILLIKIN. Senator Johnson, would it be agreeable to you if, out of the committee, we asked Mr. Kouns to get in touch with the Farm Bureau out there and tell them we are in these hearings and would like to know what they say about it?

Senator JOHNSON. I would like to see him send a telegram. They met on January 13, did they not?

Mr. KOUNS. Yes.

Senator JOHNSON. I would like to have you report to us now what they decided.

Senator KERR. If they decided.

Senator JOHNSON. If they decided anything, whatever they decided.

Mr. KOUNS. I will try to get in touch with them. If I do not, I will get in touch with them when I get back, the first of the week.

Senator JOHNSON. I would like to have that in your testimony at this time. It can be inserted in the record.

Mr. KOUNS. I will send a wire, Senator, at noon, and I will probably get an answer.

(The reply of the Farm Bureau is as follows:)

[Telegram]

DENVER, COLO., *January 27, 1950.*

EARL M. KOUNS,
Washington Hotel:

Membership and board failed to take stand on social security issue.

L. V. TOYNE,
Executive Secretary, Colorado Farm Bureau, Inc.

Senator JOHNSON. Do you think that the Farmers Union, the Grange, and the Farm Bureau cover pretty well the farm population of Colorado?

Mr. KOUNS. I don't know, but it certainly would eliminate the opposition that there has been to it. From talking to some small farmers, I do know that they advocate, if the self-employed are to be covered, they also be covered. The small-farm operator would like to be covered as self-employed. I know that.

Senator JOHNSON. Now, when it comes to farm labor in Colorado, do you have any figures to show the number of farm labor that are migratory? Is not a very large percent of it migratory? Is not a considerable percent of contract labor, especially in the beet fields?

Mr. KOUNS. It is, Senator. But I do not believe that there is quite as much migratory labor as there used to be 15 years ago. I think more of them stay in the community than are imported, as they used to be. A great deal of it still is migratory labor, yes, sir. But there are more of them that stay throughout the year now than used to.

Senator JOHNSON. You do not have anything in the way of figures on that?

Mr. KOUNS. No, I don't. But it is a problem, yes, sir.

Senator JOHNSON. It has been the custom not only to have migratory labor but to have alien migratory labor. And the alien migratory labor is required, under our laws, to be sent to the country from whence they came.

Mr. KOUNS. Yes, sir.

Senator JOHNSON. And do you think that the farmers in Colorado want a pension system, an insurance pension system, for alien migratory farm labor?

Mr. KOUNS. I would not think they would want it for alien migratory farm labor, because they are returned each year to their country. And I do not have the attitude of the farmers individually. I was not able to get that at all.

Senator MILLIKIN. How many farm workers do we have? I am not talking about proprietors.

Mr. KOUNS. Senator, I could not answer that.

Senator MILLIKIN. Do you have that, Mr. Cohen?

Mr. COHEN. Yes. We are going to supply that to you, Senator. The only figure I have here this morning on Colorado is that for farm operators and hired farm workers combined. That is all I have with me. In Colorado that is 18.4 percent of the total labor force, in the census of 1940.

Senator MILLIKIN. And does the total labor force likewise include the self-employed?

Mr. COHEN. Yes, sir.

Senator MILLIKIN. So that you have a comparative figure.

Mr. COHEN. That is correct. That is 18.4 in Colorado, as compared to 15.6 percent for the United States as a whole.

Senator MILLIKIN. I wish we could get the statistics so that we could have it in connection with Mr. Kouns' testimony; I mean, that one, and also the number of farm workers.

Mr. COHEN. Yes, sir.

Senator MILLIKIN. Do you not think it would be a good idea to have that, Senator?

Senator JOHNSON. Yes; I do.

The CHAIRMAN. Would you wish to put this in the record?

Senator MILLIKIN. I think it would be a good idea.

The CHAIRMAN. This shows the figures for the whole country, and it will be inserted in the record at this point. It gives the Colorado figure.

(The material referred to follows:)

Farm operators and hired farm workers as percentages of total employed labor force, March 1940, by States, arrayed in ascending order

	Percent		Percent
United States	*15.6*	Virginia	20.4
District of Columbia	0.1	Missouri	20.7
Rhode Island	1.5	Wisconsin	21.1
Massachusetts	1.9	Vermont	22.2
New Jersey	2.5	Minnesota	24.8
Connecticut	3.2	Texas	25.2
New York	3.7	Louisiana	26.0
Pennsylvania	5.1	Wyoming	26.3
New Hampshire	8.0	North Carolina	26.6
Illinois	8.7	Georgia	27.1
Maryland	8.8	Tennessee	27.5
California	9.1	Kansas	28.0
Ohio	9.7	New Mexico	28.1
Michigan	10.0	Montana	28.6
Maine	11.9	Oklahoma	28.8
Delaware	12.0	South Carolina	29.1
Washington	12.3	Kentucky	29.9
West Virginia	12.3	Alabama	31.1
Nevada	13.5	Iowa	31.2
Florida	14.9	Nebraska	32.3
Indiana	16.1	Indiana	33.3
Oregon	16.6	South Dakota	41.3
Utah	17.4	Arkansas	43.3
Arizona	18.3	Mississippi	43.8
Colorado	18.4	North Dakota	44.5

Source: 1940 population census.

Farm population as percent of total population and farm operators and hired farm workers as percent of employed civilian labor force, by State, arrayed in ascending order of percentages of total population accounted for by farm population, 1945

State	Farm population as percent of total population [1]	Farm operators and hired farm workers as percent of employed civilian labor force [2]	State	Farm population as percent of total population [1]	Farm operators and hired farm workers as percent of employed civilian labor force [2]
United States	17.9	10.6	Texas	21.9	14.5
District of Columbia	(3)	.1	Missouri	24.0	15.1
Rhode Island	2.1	1.4	Louisiana	24.2	15.4
New Jersey	2.6	1.8	Wisconsin	24.4	15.9
Massachusetts	3.4	2.1	West Virginia	25.0	11.7
New York	4.7	3.0	New Mexico	25.1	21.7
Connecticut	5.1	3.0	Virginia	26.0	13.0
California	6.1	6.0	Kansas	27.6	18.5
Pennsylvania	7.9	4.5	Minnesota	29.3	17.9
Nevada	8.9	9.9	Montana	29.4	22.3
Maryland	9.1	4.9	Vermont	30.7	21.1
Illinois	9.8	6.1	Oklahoma	31.5	20.8
Florida	10.2	10.5	Georgia	31.8	17.3
Arizona	10.3	9.1	Idaho	32.4	24.6
Michigan	12.1	7.1	Nebraska	32.7	24.0
Ohio	12.3	6.8	Tennessee	34.1	19.6
Delaware	13.1	8.8	Iowa	35.1	24.3
Washington	13.9	8.6	Alabama	35.6	18.4
New Hampshire	14.4	9.2	South Carolina	35.8	20.5
Utah	16.2	12.4	North Carolina	37.4	20.9
Colorado	17.2	12.9	Kentucky	37.8	24.5
Oregon	18.4	11.5	Arkansas	44.0	26.4
Indiana	19.1	11.3	South Dakota	45.7	34.1
Maine	20.2	10.4	Mississippi	50.5	29.5
Wyoming	21.6	17.7	North Dakota	51.8	34.6

[1] 1945 Census of Agriculture.
[2] Since the 1945 Census of Agriculture was taken in January, when the number of persons working as farm operators or hired farm workers is usually low, the percentages for some States in this column are substantially smaller than they would be if they related to other seasons of the year.
[3] Less than 0.05 percent.

(For data from which percentages in second column were derived, see accompanying table.)

Number of farm operators, hired farm workers, and employed civilian labor force, by State, in ascending order of percentages of total population accounted for by farm population, 1945

State	Farm operators [1]	Hired farm workers [1]	Farm operators and farm workers	Employed civilian labor force [2]
United States	4,977,666	748,341	5,726,007	53,916,000
District of Columbia	34	169	203	426,306
Rhode Island	3,236	1,152	4,388	324,541
New Jersey	23,340	12,073	35,422	1,940,277
Massachusetts	27,228	11,151	38,379	1,857,538
New York	128,588	41,932	170,520	5,664,433
Connecticut	18,222	6,780	25,002	837,192
California	111,875	100,327	212,202	3,509,452
Pennsylvania	147,312	27,603	174,917	3,899,299
Nevada	2,941	2,420	5,361	54,271
Maryland	31,791	13,060	44,851	910,330
Illinois	180,211	29,044	209,255	3,458,523
Florida	49,557	36,014	85,571	818,275
Arizona	10,290	9,147	19,437	212,747
Michigan	144,982	14,949	159,931	2,250,522
Ohio	188,247	19,556	207,803	3,066,298
Delaware	8,140	2,265	10,405	118,341
Washington	64,490	10,282	74,772	870,188
New Hampshire	14,251	3,018	17,269	188,255
Utah	21,056	3,293	24,349	197,084
Colorado	40,978	9,747	50,725	393,972
Oregon	51,738	8,825	60,563	525,416
Indiana	151,989	13,665	165,654	1,471,528
Maine	29,718	4,426	34,144	329,862

See footnotes at end of table, p. 00.

Number of farm operators, hired farm workers, and employed civilian labor force, by State, in ascending order of percentages of total population accounted for by farm population, 1945—Continued

State	Farm operators [1]	Hired farm workers [1]	Farm operators and farm workers	Employed civilian labor force [2]
Wyoming	11,576	5,054	16,630	93,808
Texas	332,678	83,551	386,229	2,657,422
Missouri	216,853	16,305	233,218	1,589,866
Louisiana	108,254	18,944	127,198	825,935
Wisconsin	160,928	30,284	191,212	1,200,622
West Virginia	69,608	3,766	73,374	624,849
New Mexico	26,238	7,110	33,348	153,616
Virginia	131,190	17,974	149,164	1,145,240
Kansas	127,383	11,397	138,780	748,889
Minnesota	170,779	19,585	190,364	1,066,235
Montana	32,908	10,242	43,150	193,248
Vermont	19,764	5,118	24,878	117,881
Oklahoma	145,489	10,032	155,521	747,876
Georgia	183,797	19,657	203,454	1,172,787
Idaho	33,630	6,915	40,645	165,108
Nebraska	106,278	13,052	119,330	496,254
Tennessee	200,712	11,167	211,879	1,078,723
Iowa	194,383	23,178	217,561	843,691
Alabama	180,502	11,581	192,083	1,046,283
South Carolina	130,042	14,354	145,396	707,536
North Carolina	244,402	14,726	259,128	1,242,335
Kentucky	208,513	16,524	225,037	918,330
Arkansas	163,891	8,876	172,750	653,344
South Dakota	63,669	6,180	69,849	204,809
Mississippi	190,202	6,963	206,165	698,811
North Dakota	61,773	6,756	68,531	198,206

[1] From 1945 Census of Agriculture (as of Jan. 1, 1945).
[2] Numbers of persons in total employed labor force estimated by Department of Labor and numbers of persons in armed forces excluded to show employed civilian labor force.

Senator MILLIKIN. I have been handed a memorandum which states:

The number of hired farm workers in Colorado in January 1945 was 9,747, and the number of farm operators was 47,618:

Farms operated by full owners	22,986
Farms operated by part owners	10,809
Farms operated by managers	528
Farms operated by tenants	13,295

Source: 1945 Census of Agriculture.

The CHAIRMAN. All right, Mr. Kouns.

Mr. KOUNS. In general, we recommend enactment of the provisions of H. R. 6000, which amends the public assistance sections of the Social Security Act. However, we believe that some of the provisions should be strengthened.

Federal matching: If the provisions for Federal matching provided in H. R. 6000 are changed, we request that Federal reimbursement to the States for the aged and blind be not less than the $30 maximum reimbursement for each case, as provided under the present law and H. R. 6000.

The CHAIRMAN. Do you approve the matching formula in H. R. 6000?

Mr. KOUNS. Senator, in nearly every case in Colorado, we receive the maximum; so that we did not go into the variations below the maximum. It would not affect Colorado either way.

The CHAIRMAN. I see.

Mr. KOUNS. Except that if you do change it in any way, we hope that you do not change the $30 maximum, which we are receiving.

The CHAIRMAN. I see.

Senator MILLIKIN. Would you mind telling us, Mr. Kouns, what we are doing in Colorado in the way of public assistance? How much money are we spending? What is the present rate of pension? I believe the members of the committee would be interested in some of the details of our system, there.

Mr. KOUNS. The total public welfare expenditures in Colorado amount to approximately $50,000,000 per year.

Senator MILLIKIN. And our population is what?

Mr. KOUNS. I believe it is estimated at a million and a half.

Now, on the aged: You probably read in the paper occasionally about the high payments. But for the 12 months ending January 31, 1950, the average maximum payment was $74.83. Now, as our money comes in, we may have to lower the payment or increase it, but for the 12 months' period that was the average maximum.

Senator MILLIKIN. Do we still have the jackpot?

Mr. KOUNS. No, sir, we pay it out during the year.

Senator MILLIKIN. You anticipate what the jackpot would be, and allocate it?

Mr. KOUNS. Well, we try to anticipate during the year, and if we are accumulating more money, we pay it out.

Senator MILLIKIN. At the end of the year, if you do have a surplus, what do you do with that?

Mr. KOUNS. Well, we just arrange it so that we don't have any.

Senator MILLIKIN. I see.

Mr. KOUNS. We change the January payment slightly, to take up any surplus that is there.

Senator JOHNSON. But under the law, if you do have a surplus, what do you do?

Mr. KOUNS. Well, the constitution provides that we have to pay it out. But we have not paid it out for 3 or 4 years.

Senator MILLIKIN. That is the reason that you see that you do not have any surplus?

Mr. KOUNS. Yes.

Senator MILLIKIN. Because of that constitutional provision?

Mr. KOUNS. Yes, sir.

Now, the average actual payment during the year was $74.83.

Senator KERR. Every person on the old age assistance rolls?

Mr. KOUNS. Yes, sir. Now, the constitutional amendment provides that the recipient reports, and we deduct all net income from whatever source, either in cash or in kind, from the payment which he would otherwise receive. Approximately one-half of the number receiving old-age pension have no income and receive that maximum of $79.83. The other one-half have sufficient income, represented by these 2,500 that receive approximately $25 under old-age and survivors insurance, other income, free board and room, or any kind of income. And covering the whole group, that deduction amounts to about $5.20 for all of the persons, or about $10.40 average for that one-half. That is why there is $5.20, or around $5, average deduction from all of them, which makes it an average of about $5 less than the maximum.

Senator MILLIKIN. I have been brandishing the figure "$82.50 a month" in these hearings. Is that a pure figment of my imagination, or is there some basis for that?

Mr. KOUNS. There is some basis for it, Senator. The State board of public welfare, meeting in January 1949, after conferring with all of the people that we thought knew something about anticipated revenue, estimated the amount of State revenue that would accrue to the old age pension fund during the year, and also estimated the number of persons who would be eligible. And then, according to their best judgment, they established the maximum payment beginning in February 1949 at $72 maximum. And we paid that for 8 months.

In checking the revenue, we found that the members of the State board and all the experts were a little off; the revenue was coming in faster. And we raised it, then, for 2 months to $80, and for 2 months to $83, and in January brought it down to $79. Now, in February of this year, after going through the same procedure, in estimating the number of new applicants that will come on, and the amount of revenue, we established the payment at $71, beginning in February. That will mean the average payment for all of them will be approximately $65.80. Now, if the revenue goes down, we will reduce it; and if it goes up, we will increase it.

Senator KERR. You said you paid about $50,000,000 a year. Does that include both State and Federal funds?

Mr. KOUNS. Yes, sir, for the entire program.

Senator KERR. Of this amount, what percent is State funds?

Mr. KOUNS. Sixty percent of the total; and 31 percent Federal Government, and 9 percent county. It is about 70 State and county and 30 percent Federal.

Senator MILLIKIN. Mr. Kouns, I have been handed a memorandum which states:

> In the fiscal year ending June 30, 1949, Federal Government paid in 36.8 percent of old-age payments in Colorado, as compared to 55.1 percent Federal share on a national basis—

which would indicate, it seems to me, if correct, that we are doing more than our share State-wise to uphold the old-age assistance payments in Colorado.

Mr. KOUNS. That is true, Senator Millikin. And the figures I gave, of 31 percent Federal participation, apply to the total program, some of which the Federal Government does not contribute in at all. I think that we in Colorado are doing our share in taking care of the aged.

Senator MILLIKIN. This would indicate that we are doing more than our share.

Mr. KOUNS. I would agree to that, too.

RESIDENCE

The State of Colorado makes higher payments to recipients of public assistance than do many other States, and any reduction in the maximum State residence requirements permitted in H. R. 6000 would result in an influx of those in need of assistance to Colorado from other States.

We recommend that the maximum State residence requirements of 5 years out of the last 9 years for the aged and 1 year for aid to dependent children, aid to the blind, and aid to the permanently and totally disabled, as provided in H. R. 6000, be enacted.

Senator KERR. You say that H. R. 6000 as passed by the House has that provision in it?

Mr. KOUNS. Yes, sir. It provides 1 year for aid to dependent children, aid to the blind, and totally and permanently disabled, and does not change the present requirement of the Social Security Act of 5 years out of the last 9 for the aged.

Senator MILLIKIN. I promised earlier in the hearing that when you got on the stand I would question you about the possible migration into our State that would result if we lowered the residence period to 1 year. Can you expand a little bit on what you have told us about that? One year has been recommended to the committee.

Mr. KOUNS. Senator, I know that fundamentally people do not migrate for the sole purpose of getting higher public assistance payments. I agree with that philosophy. But I do know that a good segment of our population are migratory and do move, and I do know that when they do travel from State to State, when they are going to stop some place, it is convenient to stop in the State that pays higher public assistance.

Senator MILLIKIN. And a fine State to live in.

Mr. KOUNS. I agree with that, naturally. I do know that you could not convince the county departments of public welfare in the counties on at least three sides of the State that people do not move across that line in order to get higher public assistance State payments.

I might tell about a case in Nebraska.

Senator BUTLER. I was just going to ask you.

Mr. KOUNS. This is a little facetious, but true. Nebraska only paid pensions to persons in another State for a period of 1 year. I believe that is still their requirement. All of a sudden, a person who lived pretty close to the line applied for old-age pension; and upon investigation by both the Nebraska department and the Colorado department, we found that he owned land both in Colorado and in Nebraska, and he had moved his house, 5 years before, 100 feet, so that he could prove that he had been living in Colorado 5 years and was getting a pension from Nebraska, so that he could apply and get a Colorado pension. That is an extreme case, Senator, but it actually happened.

Senator BUTLER. These Nebraskans are pretty thrifty.

Mr. KOUNS. Yes, sir; they surely are.

We feel sure that if there was 1-year residence for the aged it would bring a substantial number of people to Colorado.

Every time the papers in Denver speak about any of these $83 or $79 payments, I get a good many letters from various places in the United States: "How long does it take to live there to get a pension?" And the answer usually discourages them, but we are still getting the letters.

At the time we paid the $280.80 jackpot, I think I got 300 letters from people, including one from Honolulu, that said: "Please send me an application for old-age pension." That is all it said. But there are a lot of people throughout the United States who are writing as to how long they would have to live in Colorado to qualify for a pension. So I am satisfied that at least until the other States come nearer meeting the needs of people, like Colorado does, any lessening of the residence requirement for the aged would cause some influx into Colorado.

Senator BUTLER. Mr. Kouns, is it your opinion that the fact that your payments have been more liberal than in most other places has resulted in an actual increase in your population?

Mr. KOUNS. Everyone in Colorado, I think, who thinks about it contends that it does. We made a survey in 1 or 2 counties and found that out of some 200 new persons placed on the rolls only 2 had been there as little as 5 years and 6 months. It is contended, though, that many of them are coming to Colorado, waiting for the period. It hasn't actually reflected in the number that we have put on, but everyone seems to contend that it will be reflected in the next few years. Now, whether that is true or not, I don't know.

Senator BUTLER. In other words, there may be a good many out there who went with the idea of qualifying?

Mr. KOUNS. Which we wouldn't know about until they did quality and applied. So we can't answer that question.

Senator MILLIKIN. Is it not natural that if a man is footloose and can go wherever he wants to go and reaches his middle life and is looking forward to his security when he gets to be 65, he might figure on placing himself in a State that pays high public assistance?

Mr. KOUNS. That is true, Senator. But if the person is 60 years of age, I doubt very much if he would move to Colorado to wait 5 years in order to get on the pension. Because if he is doing fairly well where he is, he is not going to tear up his roots there and move to a strange State. However, if he has relatives in Colorado or has ever lived in Colorado and knows someone in Colorado, it is possible that he probably would.

Senator MILLIKIN. But I was assuming a case, say, of a man of 50 or 55, that was footloose and could go where he wanted to go. It is natural that he would think about his security. And I respectfully suggest that it would be natural that he would put himself some place where he would do the best he could in that direction.

Mr. KOUNS. That is probably true. But we have no way of estimating that until he does establish himself and applies.

Senator KERR. Suppose both the residence requirements were reduced to 1 year?

Mr. KOUNS. I feel very definitely that there would be a substantial increase right away.

Senator JOHNSON. Mr. Kouns, is it not a fact, however, that many oldsters who normally would leave Colorado are staying there because of our favorable pension situation? That is, I know of a good many cases myself where their families have moved to some other State, and they retain their residence in Colorado primarily and solely because of the favorable pension situation we have there.

Mr. KOUNS. That is probably true, Senator. But, again, we are fairly generous, and once a person qualifies to receive a pension in Colorado he may go to any other State he wishes and continue to receive his Colorado pension until he meets the residence requirements for a pension in that State. And we have a substantial number every month that receive pensions in other States.

Senator JOHNSON. How long has that program been in effect?

Mr. KOUNS. I think either 1943 or 1945 the prohibition against them leaving the State was taken out of the statute. And then we allow them, by regulation, to remain in the State until they meet their residence requirements of that State. For instance, if they go to Wyoming or Utah or Idaho, States that have 1 year residence, we pay them for 1 year, and they meet the residence requirements, and then we give them 60 days' notice to make up their minds and come back and stay or stay there.

I might say, though, that there are more people from those States that are in Colorado receiving pensions from those States than there are Colorado people in those States receiving pensions from Colorado. We don't believe it is fair, if they do have to go with the relatives that can take care of them, that we should discontinue their pensions until they can meet the requirements in that State, whatever it is, however.

Senator JOHNSON. I think that is a very equitable policy.

Senator KERR. That is the policy of all of the States.

Mr. KOUNS. Senator, I cannot agree with you.

Senator KERR. Most of them?

Mr. KOUNS. Many of them, I will say.

Senator MILLIKIN. Would you say that the amount of spending in Colorado by pensioners from other States is equal to or greater than the amount of spending of Colorado pensioners in other States?

Mr. KOUNS. I doubt that, Senator. There is a substantial contribution to the economy in Colorado by pensioners from other States receiving a pension and spending it in Colorado, but we have no way of finding out, until the other State notifies us that they are there, or they come in to ask about a pension. We have never been able to tabulate that.

Senator MILLIKIN. Has that policy been under some criticism?

Mr. KOUNS. It has.

Senator MILLIKIN. On the face of it, it seems a little strange that we should be taxing ourselves so that someone can be spending the results of the taxation in other States.

Mr. KOUNS. There was some criticism, Senator, about 3 years ago. We made a study in three average-sized counties and found that during that month there were about 2,000 persons receiving a pension from Colorado who were in another State during that 3-month study period. But we also found that the average stay was 3½ months; many of them visiting children for maybe the last time or going to a warmer climate. And it is true that some of them had stayed 5 years, and we gave the notice of "60 days to come back or your pension is cut off."

But the other argument was that we do not pay general assistance or hospitalization to those persons when they are out, and a study of a good many cases showed that relatives were able, with the help of the pension payment, to provide nursing care and medical services; while if we had forced them to come back to Colorado and live, then out of our meager general assistance funds we would have had to pay hospitalization and medical care. And when that was all explained, there is very little if any question about that program at this time.

Senator MILLIKIN. I can see that there is a point of common sense in there. You cannot confine a man, even to as fine a State as Colorado, completely. You have to give him a little leeway.

Mr. KOUNS. For instance, in one of our studies we found that several familes that needed some little care had moved to other States or maybe transferred in connection with their work. Well, there was no place for the person to live, and they could not live alone. We had to either put them in a hospital or let them go and live with those relatives. So it is more or less a practical operation.

Senator MILLIKIN. More or less a case-by-case operation; is it not?

Mr. KOUNS. Yes, sir. Then, if they make up their minds, after living there long enough to meet the residence requirement, we cut off their pensions and tell them they can live there. And since we have made that study, there has been very little criticism.

MEDICAL CARE

The cost for medical care and hospitalization of public assistance cases in Colorado amounted to approximately $2,000,000 last year, paid wholly by State and county funds with no Federal participation. Both the need for medical care and the cost of such care continue to increase.

H. R. 6000 defines old-age assistance, aid to the blind, aid to dependent children, and aid to the permanently and totally disabled as "money payments to or medical care in behalf of * * *" and permits direct direct payments for medical care. However, the maximum payment per case, upon which the Federal matching is based, is $50 per month per person in all categories, except aid to dependent children, which provides for a maximum of $27 per month each for the relative with whom the dependent child is living and the first child and a maximum of $18 per month for each additional child. These maximums include both money payments to, and direct payments for, medical care in behalf of the public assistance recipients.

In Colorado, money payments to public assistance recipients, based upon need, exclusive of the need for medical care, average as much as or more than these Federal maximums. If the provisions of H. R. 6000, providing for Federal participation the cost of medical care, are enacted, Colorado will receive very little, if any, Federal participation in the cost of medical care.

The Advisory Council on Social Security to the Senate Committee on Finance recommended that the Federal Government should pay one-half of the medical care cost incurred by the States above the regular maximums specified, not to exceed an average of $6 per month per recipient of old-age assistance and aid to the blind, and not to exceed an average of $3 per person for aid to dependent children.

We recommend that the Federal Government pay at least one-half of the medical care costs incurred by the States above the regular maximums specified in each category, based upon an average of at least $6 per month for adults and $3 per month for children.

This will permit the State of Colorado to receive some Federal funds to assist the State and counties in meeting the increasing costs of medical care.

Senator MILLIKIN. Mr. Kouns, in Colorado, where you get into the medical care activities, do you pay the doctor direct?

Mr. KOUNS. Yes, sir.

Senator MILLIKIN. Do you pay the druggist direct?

Mr. KOUNS. Yes, sir, in most instances.

Senator MILLIKIN. The appliance people? Do you pay them direct?

Mr. KOUNS. Yes, sir.

Senator MILLIKIN. Has there been any criticism on the ground of favoritism to any group of doctors or druggists or clients?

Mr. KOUNS. Not that I know of, Senator. Each county department makes its own arrangements for medical care, and in one county, Weld County, they pay a flat amount, I believe $1,500 a month, to the county medical association.

Senator MILLIKIN. Oh, those decision are made at the county level?

Mr. KOUNS. Yes, sir.

Senator MILLIKIN. I see.

Mr. KOUNS. The county pays the money to the county medical association and gives them a list of eligible persons who go to any doctor they want to, and then the doctors divide up the money.

Senator MILLIKIN. There are no complaints on that angle of the business?

Mr. KOUNS. I believe in one little county there were two drug stores, and one said one got more patronage than the other. But it was negligible.

Senator MILLIKIN. That has some bearing, perhaps a slight one, on a question that has come up here several times, as to whether in a case where a father gets his check and shoots it away in craps the first day or gives it to the tavern keeper, in cases of that kind the welfare agency should have the privilege of taking over and seeing that the money is spent for the benefit of the family. And in that connection, the question arose as to whether that would not give a rather large opportunity for favored grocers and butchers, and so forth.

Mr. KOUNS. Senator, I am certainly in favor of direct payments for medical care and hospitalization. In most instances, the person goes to the hospital or the doctor of their choice. But the county does make arrangements, and those are usually large bills, particularly hospitalization or surgery, and I think it would be much more satisfactory if the county does pay for those particular bills direct.

Senator MILLIKIN. There is an obvious difference between enjoying an illness and enjoying the tavern.

Mr. KOUNS. That is right. I am not in favor of recommending that any aid-to-dependent-children payments be made direct to anybody except the relative with whom the children are living.

Senator BUTLER. Regardless of how it is handled?

Mr. KOUNS. Yes, sir.

Senator MILLIKIN. In that connection, Mr. Kouns, would you mind telling us what we could do if we wanted to via our juvenile court system?

Senator KERR. I wonder if you would let him tell us why he reached that conclusion, Senator.

Senator MILLIKIN. Yes. I went ahead because he seemed to have reached "period-paragraph."

Senator KERR. He seemed to be quite positive. Frankly, I agree with him. But I would be interested in knowing the processes of thinking that brought him to that conclusion.

Senator MILLIKIN. It is entirely agreeable with me. Go ahead.

Mr. KOUNS. Well, I heard the testimony yesterday and formulated my opinions as I heard that testimony.

In Colorado, deserting and nonsupporting fathers represent from 3 percent of the aid-to-dependent-children cases in some of the rural counties to probably 25 percent in Denver and the large urban centers.

I might divert just a little. The phraseology in H. R. 6000, where a deserting and nonsupporting father should be reported to the proper authorities, I think is a good thing. It might be better if it were made on a permissive basis.

The Denver district attorney has taken a lot of activity in getting fathers to support their children. He is handicapped, though, by the father who crosses the State line. It would probably function much better if the States had a reciprocal agreement returning fathers, or if the Federal Government provided that the decisions of one

State court in these types of cases would be binding in another State.

Now, as to the direct question, we have found that there are very few mothers that can't handle their aid to dependent children payments; at least not to the point where they become a real problem. There are various ways to handle those cases. Sometimes the children could be placed, voluntarily placed, in the homes of other relatives, and those relatives could receive the payment.

Senator MILLIKIN. May I interrupt and ask whether you have authority to make a relative of that kind pay?

Mr. KOUNS. Yes, sir. If they are living in the home of the relative, that is.

Senator MILLIKIN. Thank you.

Mr. KOUNS. One other way to handle it is that in extreme cases, they can make two payments in 1 month, which at least prevents them from going hungry. And in extreme cases that can be done.

Then, in really extreme cases, we can have a conservator appointed, let the children remain with that mother, and have the conservator be paid their money and spend it for them.

Senator KERR. That is the matter of the conservator becoming the legal custodian with reference to certain matters?

Mr. KOUNS. As to the finances.

Senator KERR. I say with reference to certain matters.

Mr. KOUNS. Yes, sir. And then if the children remain in the home of their mother, they can qualify, and the conservator can receive their money for them.

In extreme cases, the courts do have the authority to take the children away from their parents, and if they are placed in the homes of other relatives they can continue to receive aid to dependent children. If they are not, and are placed in foster homes, then we discontinue the aid to dependent children and pay for, through the Child Welfare Services Division, foster home care.

I don't want anyone to feel that we don't have some problem cases, but my experience has been that those problem cases that can't be solved are so few that I certainly wouldn't want the Department of Public Welfare to have the authority to say, "We will pay directly for the food or the rent" of some one else.

Senator KERR. If you had that authority, would it not create problems far more vexatious than the limited percentage of problems you have now that are incapable of solution?

Mr. KOUNS. I definitely feel that way, Senator. I think that the problems created through the authority to make the payments for the person would create more problems than with the present system.

I realize that these parents who spend their time and their money in the taverns or waste it in other ways do present problems. But our experience has been that it is only a small percentage, and in some way—and I mentioned some of the ways—we usually work it out. And then in the extreme case we could have a conservator, or, through the courts, take the child away.

Senator MILLIKIN. My memory of it, and I am not pretending to have sharp memory on it, of our juvenile court system, is that the judge of the juvenile court has enormous jurisdiction, and that he can do almost anything that he feels should be done to protect the children. He can issue all kinds of orders.

The remaining question in my mind is whether you would be compelled to abide by those orders if they were given, or whether you would have authority to abide by them if they were given?

Mr. KOUNS. We always abide by the court orders. But if they take the child away from his parents, and it is placed in the custody of somebody, not a specified relative, then we could not continue the aid-to-dependent-children case.

So that then we would bring in child-welfare services to work with those children that were placed in foster homes, and, with State and county money, pay foster-home care until some other disposition was made of the case.

Senator MILLIKIN. My memory of it is that they can sometimes adopt very informal procedure. I mean, when you take a particular family like that, and the judge himself can sit there and see that the money is properly handled, he can tend to it under his own eyes, if he wants to.

Mr. KOUNS. He can watch it.

Senator MILLIKIN. I mean, there are pressures that can be brought to bear to see that the right thing is done for the child. And you have illustrated, I think very admirably, three or four other ways in which you can work out these problems.

Mr. KOUNS. I think we have been fairly successful; but I admit we still have some problem cases.

However, the percentage of the whole that can't be worked out is certainly small, and that leads me to believe that I wouldn't want to see the authority given that we could spend that person's check for him. We might make some mistakes, too.

The CHAIRMAN. You probably would.

Mr. KOUNS. Yes, sir.

The CHAIRMAN. I think it would take an extreme case to take the responsibility away from the mother for the expenditure of money for the welfare of the child. And if education becomes so extreme as that, the child ought to be removed from the home.

All right, Mr. Kouns.

Mr. KOUNS. Aid to Dependent Children: Section 5, chapter 201, 1945 Colorado Session Laws, states as follows:

> Amount of assistance: The amount of assistance which shall be granted for any dependent child under the age of eighteen years shall be on the basis of budgetary need as determined by the County Department, with due regard to the resources and necessary expenditures of the family and the conditions existing in each case and in accordance with the rules and regulations made by the State Department.

Since 1945, Colorado has made aid-to-dependent-children payments on the basis of need without maximums.

Payments are based upon the need of disabled fathers and one adult, if either or both are in the family group, as well as the need of the children in aid-to-dependent-children cases. However, Federal participation at the present time is based upon maximum payments for only the children.

There are disabled fathers in approximately 20 percent of the ADC cases. Very few of these disabled fathers receive assistance from any other source.

Senator MILLIKIN. Does that cover the whole range of disability; I mean, minor disability up to major disability? Does this statistic cover that?

Mr. KOUNS. Yes, sir. They might be disabled for 6 months or a year and might again become employable. But during that period that they are certified by the doctor to be disabled, we may pay aid to dependent children in those cases.

In December 1949, Colorado paid aid to dependent children to 5,386 cases, representing 14,765 children in an average amount of $77.28 per family, or $28.19 per child. There is an average of 1.1 adults and 2.7 children, a total of 3.8 persons, in an aid-to-dependent-children family. The payment of $77.28 per family is $20.34 per individual in the family.

Beginning this month, all aid-to-dependent-children payments in Colorado will be made on the basis of 100 percent of budgetary need, which will result in higher average payments. Both the number of aid-to-dependent-children cases and the budgetary need in the case have steadily increased since the fall of 1945, particularly during the last year, but have not reached the peak of April 1941, when there were nearly 7,000 aid-to-dependent-children cases.

Senator MILLIKIN. Mr. Kouns, would you mind explaining that phrase "budgetary need"?

The CHAIRMAN. I believe you said you had the quantitative budget, and that you used that concept.

Mr. KOUNS. Yes, sir. Particularly in food and electricity and other items where the price varies.

We have the medical profession and home economists study and help us determine, based upon the age and sex of the individual in the family, the foods and types of foods and quantities that that person should have. And then that quantitative budget for food is sent out to the counties, and they price these items in several stores in the county, individually owned, chain, rural, and urban, to get an average price of each unit of food in the county. Then the family, when they are considering the budget, is considered. Is the mother active or inactive? Then she requires so much for food. And a child of a certain age requires so much for food. A young child requires so much. In following that through, then, taking the quantity price locally, they determine the minimum food that the person should have for subsistence, decency, and health.

Under shelter, we take the amount that they actually have to pay. On clothing, through several study committees throughout the county, we have arrived at the approximate quantity of clothing, which is again priced locally. Electricity and utilities, transportation, depend upon what the local quantity is. On recreation and health, probably 75 cents or a dollar go for each; that is, State-wide.

Senator MILLIKIN. You set up a figure for food based on the various factors that you have mentioned, but the recipient of the assistance can spend the money for the type of food that he wants to, can he not?

Mr. KOUNS. That is true. And there probably is not one out of a thousand that actually buys the items of food upon which the budget is based.

Senator MILLIKIN. I mean, you make no effort to control what he does with that money after he gets it? The budgetary control is a method of arriving at how much money he should receive?

Mr. KOUNS. That is right. Very often if the evidence is that the family is not buying the right type of food, the visitor might explain: "Your child needs some of this and that," as a suggestion or help to them, but in no way telling them what they have to buy.

We recommend that the provisions of H. R. 6000, including Federal reimbursement for the relative with whom the children are living, be enacted.

General assistance: In December 1949, Colorado gave general assistance—exclusive of hospitalization and medical care—to 1,774 family cases, representing 6,876 persons, in an average amount of $43.74 per family, or $11.28 per person in the family. During the same month, Colorado granted general assistance to 2,786 single cases at an average payment of $34.97 per case.

During the past 5 years there has been a continuing increase in the number of applications for general assistance, a trend which we believe will continue.

Last week the number of Colorado persons receiving unemployment compensation benefits reached the highest first-of-the-year level since 1941.

At the present time, general assistance is granted only to unemployable persons and to families in which the wage earner is unemployable, except that general assistance may be granted temporarily to employables in emergencies.

A survey of aid to dependent children and general assistance cases shows that there are approximately 1,000 disabled fathers in ADC cases, representing approximately 20 percent of the cases, and that the wage earner is now unemployable in practically all of the general assistance cases. In only a very few instances does the disabled or unemployable person have any income, other than the public assistance payment.

We recommend that the provisions of H. R. 6000 for grants to States for aid to the permanently and totally disabled be broadened to include aid to all needy unemployable cases as we believe the most constructive aid can usually be given in the early period of the disability.

Senator KERR. In that regard, did you hear the evidence of Mr. Whitten yesterday morning?

Mr. KOUNS. Yes, sir.

Senator KERR. With reference to the development of that program in such a way as to bring about the greatest encouragement with respect to the rehabilitation of these disabled recipients?

Mr. KOUNS. Yes, sir; I heard it.

Senator KERR. In the main, do you agree with his conclusions?

Mr. KOUNS. Yes, sir; I do. Certainly we in the welfare department of Colorado have cooperated to the fullest extent with the Rehabilitation Division, and in a great many instances we are paying subsistence to the persons whom they are rehabilitating.

Senator KERR. Thereby making it possible for them to include their service to more people than would otherwise be possible?

Mr. KOUNS. That is true, yes, sir. We do cooperate to the fullest extent.

Senator KERR. And as I understand it, you have a program of assistance to people disabled to the extent of being unemployable, which does not exist in many of the States.

Mr. KOUNS. That is true. It is a State and county cooperating program.

Senator KERR. Now, let me ask you this: If this enactment which you recommend takes place, and money is thereby made available for

grants-in-aid to the States for the benefit of those disabled to the extent of being unemployable, whether permanently or temporarily or totally or partially, would you thereby in Colorado, where the program is now apparently beyond what it is in the average of the States, be able to reach more disabled and bring about their rehabilitation than is possible even under your present arrangement?

Mr. KOUNS. I think so, because the amount of general assistance we pay them in the families is an average of $11.28 per person in the family, and that does not represent all of their income. There may be some member of the family with some income. But that represents the payment. And the $2,000,000 that we are spending per year for medical care is only medical care in serious cases.

Senator KERR. Acute cases.

Mr. KOUNS. Yes, sir. We do not have sufficient funds to provide for preventative medicine. And if we had that, we could prevent some of these from becoming permanently and totally disabled.

Senator KERR. Or eliminate some of the disabilities which are quite real but less acute than those that you are now taking care of.

Mr. KOUNS. That is right.

I think a bill something like the bill by Senator Long, providing for aid to disabled needy individuals, would pretty well fit our picture and would enable us to give more substantial aid, and particularly toward rehabilitation, earlier in their period of disability, rather than waiting and paying them on general assistance until we have been able to prove that they were permanently and totally disabled.

Senator KERR. Now, we have a dual interest, which is the reason for these questions. First, we have an interest in the matter of aid to those that are disabled, just for the sake of aiding them; but we have an even greater interest in the possibilities of their rehabilitation, to the point where they will be self-supporting on a basis that will eliminate the need for the other matter in which we are interested, which is purely aid. And the information that I seek, and I think the committee is just as interested as I in it, is whether or not the recommendation you are now making if followed would result in your being able in Colorado to rehabilitate a greater number of people who otherwise could not be thus benefited.

Mr. KOUNS. I definitely feel that it would enable us to do that.

Senator KERR. In other words, the way the language now is, it would limit the assistance under aid to the disabled?

Mr. KOUNS. The totally and permanently disabled.

Senator KERR. And would not be usable in the main in such a way as to improve those partially disabled or rehabilitate those who might even be temporarily totally disabled?

Mr. KOUNS. I certainly feel that it could be interpreted so that it would be that restrictive; yes, sir.

Senator KERR. You think the other phase is even more important than this one?

Mr. KOUNS. I do; yes, sir.

I might point out that in a 6-month period there were 2,528 applicants with different diseases, some of them permanent. But the majority of them were such that with proper help and medical care they could be properly rehabilitated.

The CHAIRMAN. All right, Mr. Kouns. Proceed, sir.

Mr. KOUNS. Aid to the blind: Colorado has a program for the prevention of blindness and the restoration of eyesight in connection with the administration of aid to the blind.

In Colorado, the Aid to the Blind Act specifically requires that at the time of application, the ophthalmologist making the initial examination must at that time make a medical determination of whether corrective eye surgery and treatment is to be given, a determination which can only be made by a physician skilled in the diagnosis and treatment of diseases of the eye.

As a result of this constructive eye treatment program, the incidence of indigency among the blind in Colorado is substantially below the incidence for the United States as a whole

I might say that there were only 385 blind recipients in Colorado receiving an average of $56.40 per month.

We recommend that, if qualifications of persons permitted to determine whether an individual is blind are specified in the Social Security Act as provided in H. R. 6000, such requirement allow States having eye surgery and treatment programs to specify that examinations be made only by a physician skilled in the diagnosis and treatment of diseases of the eye.

The provision in H. R. 6000 providing for $50 income for the blind based upon earned income and a certification from the Rehabilitation Division that that income does assist them in their rehabilitation seems to be acceptable.

Senator KERR. Would you recommend that that privilege be given also to other classes of disability?

Mr. KOUNS. No, sir.

Senator KERR. You would not?

Mr. KOUNS. I answered you too quickly, Senator. Under the present categories, no, sir. If you had disability under a new category, it might be well. But I am not particularly recommending it.

Child welfare services: Through the use of Federal and State funds the child welfare service program has been extended and strengthened in the 63 counties of Colorado through consultative service from the State department and child welfare workers in the county departments.

In October 1949, a typical month, 1,089 children were given child welfare service: 1,002 in the home of parents or relatives; 419 in foster boarding homes, and 101 in adoptive homes.

The child welfare services program is increasing, particularly that part of the program which pertains to adoptions and foster boarding homes.

Expenditures for foster boarding homes—State and county funds—have increased from $75,000 in 1946 to over $200,000 in 1949.

We recommend that the $7,000,000 annual appropriation for child welfare services, as provided in H. R. 6000, be substantially increased to enable us to render more adequate services to a greater number of children.

Senator MILLIKIN. What are your standards for the selection of a foster home?

Mr. KOUNS. Senator, I can't give you the details of it. It has been worked out over a long period of time by the child welfare division and approved by the State board of public welfare, which consists of lay members, and it is one of the things that I don't have at my fingertips. In the main, it is a home that at least has adequate space,

not luxurious but adequate space, where the foster mother will be kindly to the children and treat them right and will give the opportunity to a child to grow and develop in normal home surroundings. That in general is the requirement for the foster home. They must be licensed by the State as well as approved by the child welfare division.

The courts now, following a new adoption law passed last year, are required to get certain reports before they take formal action on relinquishment or take children away from families, or approve adoptions, and the county departments of public welfare are among the agencies that the court may call on. They may call on any other agency they wish, but it is specified in law that the county department is one that they can call on. And since that law has been enacted, the services of the child-welfare division to the courts, when called upon, have really grown during the last year. And the child-welfare division does investigate and make reports.

I heard Hubert Glover, the county judge of Pueblo County, speak in Canon City last Thursday, talking about the wonderful cooperation he had received from the child-welfare division. He calls upon various groups, some of them to furnish some money to help, but points out, as to the child-welfare division, that even though he places the child in the foster home, he only places it in a foster home that has been investigated and approved by a child-welfare worker. And the reason we are asking for an increased appropriation is because we feel that the need for child-welfare service is not being fully met in Colorado, and that the foster home payments are increasing. We feel that even the doubling of the present appropriation should be substantially increased to enable us to give more adequate services when called upon and serve more people, which we believe will as those children grow up and get a little older, eliminate a lot of the juvenile delinquency problems in Colorado.

Senator MILLIKIN. There was testimony earlier in the hearing to the effect that a number of States harbor this kind of a condition: Child delinquents are thrown into county jails and kept there. A witness, I believe, said that there was some of that in Colorado. Can you tell us anything about that? I had hoped that it was not true.

Mr. KOUNS. Well, in the main, Senator, in every county the jailor certainly tries not to put them in. If there is no place else, they at least put them in the matron's quarters. In the case of some of the larger juvenile delinquents, if they don't have any other place to put them, they may. That only happens occasionally, though, and only for the want of somewhere else to put them. And one of the things we do need in the larger places is the receiving home, where those children could be put.

Senator MILLIKIN. Are we working toward anything of that kind?

Mr. KOUNS. We certainly are. And with some increased child welfare service money, we think that we can give a great deal more guidance and leadership in working with the people to provide it.

Senator MILLIKIN. Even supposing that were not forthcoming, is that beyond the resources of the State of Colorado?

Mr. KOUNS. Pardon me, Senator?

Senator MILLIKIN. Even if you did not get any more Federal money, is that particular activity beyond the resources of the State of Colorado acting on its own?

Mr. KOUNS. Well, it probably isn't, particularly in the larger centers.

The CHAIRMAN. All right, Mr. Kouns.

Mr. KOUNS. I would like permission to have the next two statements, which are the recommendations of the joint planning and legislative committee in Colorado and the memorial acted on by the Thirty-seventh Colorado General Assembly, recorded in the hearings.

The CHAIRMAN. You may do so. They will follow your statement, here.

(The material referred to follows:)

RECOMMENDATIONS OF THE COLORADO JOINT PLANNING AND LEGISLATIVE COMMITTEE

The 1949 annual report of the Joint Planning and Legislative Committee of Colorado, representing the Colorado State Association of County Commissioners, the Colorado County Welfare Directors Association, and the Colorado Conference of Social Welfare, specifically recommends that the Social Security Act be amended to provide complete old-age and survivors insurance coverage with expanded benefits (with such State action as might be required to include specifically all county employees); that a fourth Federal aid category be provided for general assistance; that a uniform 1-year residence requirement be established for public assistance; and that a variable payment plan for providing matching funds to the States be established, provided that in any revision of the matching formula care be taken that Federal payments to Colorado not be reduced.

HOUSE JOINT MEMORIAL NO. 14, ENACTED BY THE THIRTY-SEVENTH COLORADO GENERAL ASSEMBLY, 1949

(By Representative Cobb)

MEMORIALIZING THE CONGRESS OF THE UNITED STATES TO ENACT PENDING LEGISLATION FOR THE AMENDMENT OF THE SOCIAL SECURITY ACT TO PROVIDE ASSISTANCE TO UNEMPLOYABLES

Whereas there is now pending in the Congress of the United States various measures for the amendment of the Social Security Act to provide for more comprehensive public welfare programs of assistance and welfare services to various categories of needy persons; and

Whereas it is essential that provision be made through Federal legislation in cooperation with the States for the assistance of the chronically ill, physically or mentally handicapped, or otherwise unemployable persons between the ages of 18 and 65, who by clinical and laboratory tests, or otherwise, have been determined to have a chronic or prolonged disability which causes them to be unable or unavailable for gainful employment; Now, therefore, be it

Resolved by the house of representatives of the thirty-seventh general assembly, the senate concurring herein, That the Congress of the United States be and it is hereby memorialized to approve such proposed legislation providing for amendments to the Social Security Act in order to provide for assistance to the chronically ill, physically or mentally handicapped, or otherwise unemployable persons between the ages of 18 and 65, who have been determined by clinical and laboratory tests, or otherwise, to have a chronic or prolonged disability which causes them to be unable or unavailable for gainful employment; and be it further

Resolved, That copies of this memorial be forwarded to the President of the Senate and the Speaker of the House of Representatives of the Congress of the United States, to the Senators and Congressmen representing the State of Colorado in the Congress of the United States, and to the Federal Security Administrator.

Committee on Finance, United States Senate, Washington, D. C.:

GENTLEMEN: I have been the director of the Colorado State Department of Public Welfare for approximately 15 years. The State department of public welfare supervises the administration by the 63 county departments of public

welfare of old-age assistance, aid to dependent children, aid to the blind and a program for the prevention of blindness and restoration of eyesight, general assistance, tuberculosis hospitalization, child welfare and other public welfare services. During this period the cost of public assistance has continued to increase and very few changes have been made in the old-age and survivors insurance program.

We wish to submit the following recommendations for amendments to the Social Security Act:

OLD-AGE AND SURVIVORS INSURANCE

In Colorado, approximately 25 percent of the total number of old-age and survivors insurance recipients are also receiving old-age assistance payments. To supplement OASI payments, it is necessary to grant aid to dependent children to approximately 15 percent of the children receiving old-age and survivors insurance.

We recommend that the old-age and survivors insurance sections of the Social Security Act be amended to provide for greater coverage and more adequate payments, which will inevitably result in a decrease in the need for public assistance expenditures.

PUBLIC ASSISTANCE (H. R. 6000)

In general we recommend enactment of the provisions of H. R. 6000, which amends the public assistance sections of the Social Security Act. However, we believe that some of the provisions should be strengthened.

FEDERAL MATCHING

If the provisions for Federal matching provided in H. R. 6000 are changed, we request that Federal reimbursement to the States for the aged and blind be not less than the $30 maximum reimbursement for each case, as provided under the present law and H. R. 6000.

RESIDENCE

The State of Colorado makes higher payments to recipients of public assistance than do many other States, and any reduction in the maximum State residence requirements permitted in H. R. 6000 would result in an influx of those in need of assistance to Colorado from other States.

Respectfully submitted.

EARL M. KOUNS,
Director, Colorado State Department of Public Welfare.

The CHAIRMAN. Are there any further questions?

Senator KERR. Yes. I notice in your joint planning and legislative committee recommendations, this phrase:

That a uniform 1-year residence requirement be established for public assistance.

Mr. KOUNS. Yes, sir. That is in there, and that committee is made up of three from the State conference of social work, three from the commissioners, and three from the county directors. And that is the fundamental plan that they have recommended; but I, as the administrator, agree with the 1 year, all except the aged, and I request that the 5-year residence limit be kept for the aged.

Senator JOHNSON. Mr. Kouns, I am receiving a tremendous amount of mail from police and firemen complaining about H. R. 6000 in the fear that it is going to disrupt their insurance plan. You do not say anything about that. You do not say anything about these insurance plans for public employees.

The CHAIRMAN. State and municipal plans? You are referring to the State and municipal retirement systems?

Senator JOHNSON. That is right; and school teachers.

Mr. KOUNS. The reason that I did not say anything, Senator, is that I feel that the employees of the counties and other units of the

government in Colorado, who are not now covered by any retirement plan, believe definitely that they should be given the right for the State to enter into an agreement with the administration to include them. Just yesterday I received a long letter from Mr. Raymond Heath advising that all of the representatives of the State employees retirement, the teachers, the firemen, and the policemen, recommended that the provisions in H. R. 6000 which permitted that those now covered could be included if by two-thirds referendum they voted to be included, be changed to exclude all State and local units where the employees are now covered under a retirement system. I just received that last night, and I have not had time to really study it.

Senator JOHNSON. At least I am receiving a tremendous amount of mail on that point, and I wondered if you had a recommendation to make with respect to it. If you do not have one today, perhaps you will submit one.

Mr. KOUNS. I will be glad, after I go back and look into the picture a little more, to do that.

Senator JOHNSON. I should be glad to have your recommendation on that point.

The CHAIRMAN. The committee is receiving an unusual number of requests for the exclusion from the Federal system of employees under State and municipal retirement programs, particularly from States like Connecticut and California and various others. A very, very large number of requests have been filed with the committee from the State of Connecticut, especially by the teachers, opposing coverage under the Federal system, and asking for an amendment which would exclude them. That is true as well of the policemen in a number of the States.

Senator MILLIKIN. I have had the same response that Senator Johnson is getting, and just offhand it seems to me rather strenuous medicine to impose a system on people who already have a system with which they are satisfied.

Mr. Cohen, what is the theory upon which it is proposed to do that?

Mr. COHEN. Senator Millikin, it is not a compulsory provision in the bill, H. R. 6000. It is a voluntary provision, which would permit the States to come in, subject to the action of their State legislature and the individual group.

Senator MILLIKIN. Yes, but the group, for example, is two-thirds.

Mr. KOUNS. Yes, sir.

Senator MILLIKIN. And two-thirds of those present, and not two-thirds of all. In other words, you could have such a meeting and commit the group.

Senator KERR. Do you think that would be possible, Senator?

Senator MILLIKIN. I think it is most probable.

Could the system sustain itself if those groups that have a system that seemed to be satisfactory were excluded, and persons of the type mentioned by Mr. Kouns, who do not have that protection and would like to have it, could be included?

Mr. COHEN. Oh, yes, sir. I don't think there would be any adverse actuarial effects or adverse administrative effects from the standpoint of a mandatory exclusion of those groups. I believe it is a purely policy question as to whether or not you wish to prohibit a group which did want to come in from having that option.

Senator MILLIKIN. A policeman, for example, who had been contributing for years to a police pension system. In that case, I am not so sure that you are not getting into dangerous ground when you say that two-thirds of similar contributors want to change the system, and you are going to heed their wishes. That one-third has a vested interest in what they have been paying for, and I am not so sure that we would have a right to force a different system on them, even if it were thought to be good policy.

I have the same worries as Senator Johnson has. How can you justify yourself in imposing a Federal system on people who already have a system and who are satisfied with it?

Mr. COHEN. I believe the issue, as it was faced in the House, was a question of whether it would be desirable to prohibit, on a mandatory basis, a group which did want to come in, from doing so, by Federal law. The theory, I believe, of the bill was to allow that decision to be made by the State legislature, as to whether it wished to prohibit that or make it voluntary or not. That is the provision in the bill. As you indicate, there is an important policy question there.

Senator MILLIKIN. The policy question at the State level is the same as it is here.

The CHAIRMAN. Thank you very much, Mr. Kouns, for your appearance.

May I ask you one question?

Mr. KOUNS. Yes, sir.

The CHAIRMAN. Your State of Colorado seems to have taken an advanced position in the field of social security, particularly in the assistance program. Are you finding it burdensome to the taxpayers of the State to carry the load which they are carrying in order to grant these additional benefits or increased benefits, as compared to many of the States in the Union? Is it a matter of concern or complaint by the citizens and taxpayers of your State?

Mr. KOUNS. Well, on general assistance, where the county pays approximately 80 percent of the cost for direct general assistance and hospitalization and medical care, and their only source of revenue is an ad valorem tax on property, it is becoming a burden. But we are not too progressive in the amount that we pay exclusive of medical care in the case where the person is unemployable, that figure being up to $12 or $13 a month per person in a family. We are not too progressive in that field.

The CHAIRMAN. You take due concern as to local public concern as to an issue of that kind, of course, necessarily. But I was just wondering if there was a feeling that the system was growing very burdensome from the standpoint of your taxpaying.

Mr. KOUNS. It increasingly becomes a problem of paying taxes. On the other hand, there is consideration that must be given to what would happen if you don't give at least minimum subsistence to the needy people in a State. You have two pictures to look at at the same time.

The CHAIRMAN. I understand that. I was merely directing the question as to what you found the reaction of the people in the State of Colorado to be at the present time.

Mr. KOUNS. Of course, as to pension, it is all provided by the Constitution, and there is no concerted action against it; but on the

others, where the county and the State appropriate money, where they both appropriate money, it is becoming an increasing problem.

The CHAIRMAN. Yes.

Mr. KOUNS. That is one reason that we think that if through child-welfare services we can cut down on some of those future cases, and through some program to rehabilitate people when they become disabled, eventually we will cut down on that load and still not let anybody starve to death or suffer.

The CHAIRMAN. As I understand it, your general view is that old-age and survivors insurance coverage should be extended as far as it can be practically done at least?

Mr. KOUNS. Coverage and payments.

The CHAIRMAN. Coverage and payments.

Mr. KOUNS Yes, sir.

The CHAIRMAN. Thank you very much for your very valuable contribution to the hearing.

Senator KERR. I would like for him to tell us, if he knows, the average per capita income of the people in his State.

Mr. KOUNS. I have it down at the hotel, Senator, but I don't have it here.

The CHAIRMAN. We have it.

Senator MILLIKIN. It is $1,362; that is, the 1946 to 1948 per capita income.

Senator JOHNSON. What is it for the Nation?

Senator MILLIKIN. The average is $1,315. We are almost, Senator, in the middle.

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

Mr. KOUNS. Thank you.

Senator MILLIKIN. I think, Senator, I could meet a part of your question by saying that there has been criticism on the ground that by freezing the excise taxes for one purpose you lower the available money for general revenue appropriations. But I should add that every politician who has ever attempted to remedy that situation has been rolled out of office. [Laughter.]

The CHAIRMAN. So you do not think the sentiment is overwhelming?

Senator MILLIKIN. The votes would indicate that a majority of the people are satisfied with what they have.

Senator JOHNSON. I might add one other thing: There have been numerous attempts by ballot, constitutional ballot, submitted to the people, to decrease the amount of welfare that is given in the State of Colorado; and each time it is overwhelmingly defeated by the voters of the State.

The CHAIRMAN. I have two tables here relating to the rehabilitation of the blind that are pertinent to portions of the hearing already held and will be pertinent, I think, to some of the testimony to be hereafter adduced; I also have two other tables, showing the amounts now received by the several States and Territories for child welfare services; the amounts they would receive under H. R. 6000, and the amounts they would receive if $12,000,000 a year were made available for child welfare services.

These tables are self-explanatory, and I think they may be useful to the committee.

(The tables referred to follow:)

TABLE A.—*Number of persons blind at survey who were rehabilitated by State rehabilitation agencies and commissions or other agencies for the blind, by job or occupation at closure, fiscal year ended June 30, 1948*

Type of job or occupation at closure	Number of persons	Percent of total
Total	3,800	100.0
Professional, total	180	6.1
Clergymen	11	.4
Musicians	40	1.6
Lawyers	6	.2
Social and welfare workers	10	.3
Teachers, primary	6	.2
Teachers, secondary	7	.3
Teachers, of blind	42	1.6
Teachers, vocational	8	.3
Other professional	17	.7
Semiprofessional, total	39	1.1
Masseurs	18	.7
Chiropractors	2	.1
Employment interviewer	3	.1
Other semiprofessional	6	.2
Managerial and official, total	70	3.0
Hotel and restaurant managers	8	.3
Retail managers	52	2.1
Sales managers	2	.1
Other	14	.5
Clerical and kindred, total	127	4.9
Clerks, general	10	.4
Clerks, general office	3	.1
Clerks, insurance	4	.2
Clerks, general industry	16	.6
Messengers	5	.2
Shipping clerks	6	.2
Typists	42	1.6
Stock clerks	15	.6
Telephone operators	12	.5
Other clerical	15	.6
Sales and kindred, total	485	18.9
Canvassers and solicitors	55	2.1
Salesmen, insurance	5	.2
Newsboys	10	.4
Huckaters and peddlers	16	.6
Vending stand operators	270	10.8
Sales clerks	60	2.3
Sales persons	12	.5
Salesmen to consumers	15	.6
Salesmen except to consumers	30	1.2
Other sales	7	.3
Service occupations, total	164	6.4
Domestic service, total	67	2.3
Laundry, private family	8	.3
Housekeepers, private family	15	.6
Housemen	11	.4
Maids general	11	.4
Other	19	.8
Personal service, total	60	2.4
Waiters and waitresses	7	.3
Kitchen workers	19	.7
Personal service—Continued		
Practical nurses	4	.2
Concession attendants (misc)	4	.2
Hospital attendants	5	.2
Other	21	.8
Protective service, total	8	.3
Guards and watchmen	8	.3
Building service, total	39	1.5
Janitors	28	1.1
Porters	10	.4
Elevator operators	1	(1)
Agriculture and fishing, total	161	6.3
General farmers	66	2.5
Other farmers	41	1.6
Farm hands	38	1.4
Gardeners	9	.4
Fishing occupations	3	.1
Other	7	.3
Skilled occupations, total	380	15.5
Weavers, textile	70	3.1
Dressmakers and seamstresses	15	.6
Upholsterers	20	.8
Mattress making	10	.4
Basket weaving	24	.9
Piano tuning	29	1.1
Broom making	76	3.0
Carpenters	12	.5
Radio repair	10	.6
Other	118	4.8
Semiskilled occupations, total	405	15.8
Sewing machine operators	24	.9
Upholstering occupations	7	.3
Occupations in manufacture of furniture	9	.4
Occupations in manufacture of paper boxes	27	1.1
Drill press operators	16	.6
Floor assembler, machine shop	10	.4
Occupations in manufacturing of automobiles	16	.6
Attendants, filling station	7	.3
Apprentices	18	.6
Other	270	10.7
Unskilled occupations, total	390	15.2
Laborers:		
Broom manufacture	24	.9
Construction occupations	17	.7
Laundry occupations	23	.9
Lumber products	13	.5
Other	313	12.2
Housewives or family workers	174	6.8
Not reported	8	(2)

[1] Less than 0.05 percent.
[2] Excluded from distribution.

Number of visual cases rehabilitated, fiscal years 1945–49

Fiscal year	Total	Blind	Visual[1]	Fiscal year	Total	Blind	Visual[1]
Total	27,247	10,724	16,523	1947	8,182	2,187	3,025
				1946	3,859	1,335	2,524
1949	7,001	3,166	3,895	1945[2]	4,048	1,497	3,448
1948	6,209	2,869	3,631				

[1] Other than blind.
[2] Estimated number of blind persons in the United States, 230,384, quoted from Social Security Bulletin, March 1948.

Source: Closed Case Reports, Form VR RS 9.

Prepared by Fiscal and Statistical Analysis Branch, Administrative Standards Division, Jan. 26, 1950.

Amounts now available to States for child-welfare services under title V, pt. 3, Social Security Act, and amounts available if appropriation is increased to $7,000,000 annually as provided in H. R. 6000

State or Territory	Amount available under present appropriation of $3,500,000 ($20,000 uniform apportionment)	Amount available under appropriation of $7,000,000 ($40,000 uniform apportionment)	Increase
Alabama	$102,028	$204,056	$102,028
Alaska	22,289	44,578	22,289
Arizona	33,490	66,992	33,490
Arkansas	82,962	165,924	82,962
California	103,194	206,388	103,194
Colorado	42,097	84,194	42,097
Connecticut	42,863	85,726	42,863
Delaware	24,273	48,546	24,273
District of Columbia	20,000	40,000	20,000
Florida	55,336	110,672	55,336
Georgia	103,033	206,066	103,033
Hawaii	28,133	56,266	28,133
Idaho	34,445	68,890	34,445
Illinois	106,617	213,234	106,617
Indiana	83,031	166,062	83,031
Iowa	80,329	160,658	80,329
Kansas	69,444	138,888	69,444
Kentucky	102,828	205,656	102,828
Louisiana	77,401	154,802	77,401
Maine	40,918	81,836	40,918
Maryland	50,742	101,484	50,742
Massachusetts	58,971	77,942	58,971
Michigan	94,735	189,470	94,735
Minnesota	78,170	156,338	78,170
Mississippi	92,049	184,098	92,049
Missouri	95,079	191,158	95,079
Montana	34,435	68,870	34,435
Nebraska	55,202	110,404	55,202
Nevada	22,770	45,538	22,770
New Hampshire	28,642	57,284	28,642
New Jersey	81,787	163,574	81,787
New Mexico	34,747	69,494	34,747
New York	118,980	237,960	118,980
North Carolina	127,772	255,544	127,772
North Dakota	41,162	82,324	41,162
Ohio	118,206	236,412	118,206
Oklahoma	80,444	160,888	80,444
Oregon	43,183	86,366	43,183
Pennsylvania	157,472	314,944	157,472
Puerto Rico	74,058	148,116	74,058
Rhode Island	22,489	44,978	22,489
South Carolina	79,485	158,970	79,485
South Dakota	40,118	80,236	40,118
Tennessee	98,503	196,720	98,503
Texas	165,363	330,720	165,363
Utah	30,188	60,376	30,188
Vermont	20,792	39,584	20,792
Virgin Islands	20,837	40,674	20,837
Virginia	91,000	182,018	91,009
Washington	53,704	107,408	53,704
West Virginia	77,747	155,494	77,747
Wisconsin	60,812	121,624	60,812
Wyoming	20,020	40,040	20,020

Amounts now available to States for child-welfare services under title V, pt. 3, Social Security Act, and amounts available if appropriation is increased to $12,000,000 annually under H. R. 6000

State or Territory	Amount available under present appropriation of $1,500,000 ($20,000 uniform apportionment)	Amount available under appropriation of $12,000,000 ($40,000 uniform apportionment)	Increase
Alabama	$102,028	$372,146	$270,118
Alaska	22,289	40,267	20,978
Arizona	33,490	91,640	61,150
Arkansas	82,062	293,944	211,882
California	103,194	376,869	273,675
Colorado	42,007	129,473	87,370
Connecticut	42,865	132,585	89,720
Delaware	23,273	61,351	38,078
District of Columbia	20,000	40,000	20,000
Florida	55,330	183,082	127,740
Georgia	103,033	384,397	279,344
Hawaii	28,123	72,891	44,768
Idaho	31,445	98,090	66,645
Illinois	100,017	300,750	284,133
Indiana	83,001	298,747	214,840
Iowa	80,320	284,283	203,954
Kansas	64,144	218,013	152,460
Kentucky	102,828	375,387	272,559
Louisiana	77,401	272,427	195,026
Maine	40,918	124,701	83,783
Maryland	50,742	164,478	113,736
Massachusetts	38,971	116,817	77,846
Michigan	94,735	342,615	247,880
Minnesota	78,179	275,579	197,400
Mississippi	92,049	334,167	241,518
Missouri	93,079	340,438	250,759
Montana	34,435	98,450	64,015
Nebraska	53,202	174,684	121,422
Nevada	22,779	51,253	28,474
New Hampshire	28,042	74,995	46,353
New Jersey	81,757	108,588	110,831
New Mexico	34,747	99,755	64,008
New York	118,980	428,040	312,060
North Carolina	127,772	476,390	348,618
North Dakota	41,162	125,089	84,527
Ohio	118,206	428,508	310,302
Oklahoma	80,444	284,747	204,303
Oregon	43,153	133,751	90,598
Pennsylvania	137,472	506,649	439,177
Puerto Rico	74,038	258,891	184,853
Rhode Island	22,489	50,078	27,589
South Carolina	79,483	280,265	201,780
South Dakota	40,118	121,461	81,343
Tennessee	98,303	357,306	258,043
Texas	165,303	628,641	463,238
Utah	30,188	81,130	50,972
Vermont	20,702	79,018	49,856
Virginia	91,909	331,174	239,265
Virgin Islands	20,317	41,303	21,020
Washington	53,784	176,799	123,015
West Virginia	70,747	209,779	103,032
Wisconsin	80,312	285,024	204,312
Wyoming	26,820	66,399	39,579

The CHAIRMAN. The next witness is Mr. William Taylor, Jr., representing the Pennsylvania Federation of the Blind. Mr. Taylor?

Mr. TAYLOR. Yes, sir.

The CHAIRMAN. You may make a statement on this bill or any part of it you wish to discuss.

STATEMENT OF WILLIAM TAYLOR, JR., PENNSYLVANIA FEDERATION OF THE BLIND

Mr. TAYLOR. We, sir, are particularly interested, of course, in the effect on the pension system. Or at least I am going to chiefly restrict myself to the effect that the enactment of this bill would have on the blind in Pennsylvania and Missouri.

We of the Pennsylvania Federation of the Blind are affiliated with the National Federation of the Blind, and I understand Mr. Archibald of our national organization is on your list for tomorrow, and he will discuss the general program, how it is affected. And I may in a sense be approaching it in a negative way.

The provision for the exemption of income of $50 a month provided by the pending bill, we agree, is a slight improvement. I mean, that is self-evident. We are very much distressed at the fact that the exemption of $50 is virtually at the caprice of the rehabilitation person. Now, that is a very complicated subject, and one which Mr. Archibald will go into, but we are in accord in feeling that some exemption is certainly a step forward.

Heretofore, it has been the adamant policy of the Social Security Administration to enforce in every State their policy of "a dollar earned, a dollar off." And, of course, that has fallen with terrible effect upon the blind person. And to appreciate that, you have to realize the instances where an aged woman had earned maybe $5 or $10 a month knitting and would have her check diminished by that amount. This bill does, of course, give certain alleviation. I am now trespassing on what Mr. Archibald will take up tomorrow; and I will restrict myself to Pennsylvania and Missouri.

Now, I am speaking on behalf of the Pennsylvania Federation of the Blind. That is an organization of blind people in the State of Pennsylvania, and we have 8,500 members. Each person makes a little contribution of one dollar. To make it clear on that point, my status is rather unusual here. Most people seem to be professionally involved in these matters. I myself am a practicing attorney. I am a member of the State council, as we call it, in Pennsylvania, which is, in effect the State commission for the blind. Under our statute there is required to be at least one blind person on that commission.

I want, however, to make it very clear that I am in no wise to be understood as pretending to speak for the commission, the council, in an official capacity, but I have served on that commission for many years, and I have worked in the various legislative contests we have had in Pennsylvania respecting the blind pension for over 15 years, and, being a blind person who actually earns his own living, I feel I have some familiarity with this field, although I am not what you might call a professional person.

Senator MILLIKIN. May I ask you a personal question? Were you blind before you became a lawyer?

Mr. TAYLOR. Yes, sir. I lost my sight when I was 7 years old, and I was graduated from the Law School of the University of Pennsylvania in 1935.

If I may be pardoned a personal note, I want to point out why I feel so strongly on this subject of exempt income. I had the good fortune of having a very fine home and very fine parents. My father had a practice before me, and I went into his office. He died, unfortunately, 2 years after I went into the practice. But it was just that factor of being given a start for 2 years which has determined, if I may be pardoned for saying it, my making a fairly good financial success in the practice.

But that is why I feel so strongly, and why I can sympathize with people. Because I can realize that without something to get me across that first bridge, I would find it impossible to conceive that I could have succeeded in the practice of law.

Now, in Pennsylvania we have a very fine system of pensions for the blind; and to avoid repetition, I will say now that virtually everything I say applies with equal force to the State of Missouri. Mr. Johnson, who is president of the organization of the blind of Missouri, is here in the room, and I know he is in accord with what I am saying.

But the history in the two States is quite similar. In 1935, Pennsylvania adopted the blind pension law. And I might say that it has been one of the finest tributes to nonpartisan action that I think have ever taken place in our State.

It so happens that the measure was first introduced into our senate by a Republican at a time when the Republicans were in the majority in the senate, and a Democrat house passed it, and a Democrat Governor signed it. And through all the changes of party in our State, the gentlemen of both parties have wonderfully supported the blind.

Now, the great feature of our pension is that it is a pension of law as distinguished from a system of men. In short, a person who is an adult who has less than what we call, roughly, 5-percent vision, receives a pension of, now, $40 a month. There is a proviso to the effect that if his real property exceeds $5,000 or his income from all sources exceeds, we will say, $1,600, to make it simple, he is no longer eligible. In short, we will do this: If a person's income is somewhere between $1,100 and $1,600, the pension is so adjusted as so make the total always less than $1,600.

Now, under that system, we have 15,000 and a few hundred-odd blind recipients. That is of tremendous importance, I submit. We have 15,000. The importance of those figures, I think, is shown by the fact that in New York State, with a population that is some 30 or 40 percent greater than ours, they have 3,000 receiving blind assistance. And across the Delaware River, where there is a population of 4,000,000 they have about 500. In short, in Pennsylvania about 1,500 receive blind assistance for every million of the population. In New Jersey, about 125 or 150 receive assistance. In New York, I believe, it is about 225 or thereabouts blind persons per million who are receiving assistance. In short, it is self-evident that our plan comes infinitely nearer meeting the needs of the blind than the other plans. It has the great advantage, as far as blind people are concerned, of being free from the degrading stigma. It somehow resembles the feeling that people have nowadays with regard to a child's attending the public school, from that which was felt a hundred years ago as to a child attending a charity school. Of course, in view of our definite standards, the blind person is free from the ceaseless intermeddling with his personal life which is so galling to people. And we think that we have, in Pennsylvania, arrived upon a formula which is a rough adjustment of the two problems, which really are very serious problems: how are you going to give assistance and have it work, on the one hand, and try to preserve the self respect of an individual who is a recipient? And that is tremendously so in Pennsylvania.

Now, I believe the Social Security Act went into effect in the summer of 1935. And Pennsylvania received its proper reimbursement from the Federal Government. But about 1938 a great antagonism arose in the Social Security Administration, or Board as it was then called, I believe, to the Pennsylvania system, and they cut off Pennsylvania's grant. And that still remains, without any Federal reimbursement.

The same, as I said before, applies to Missouri. They have not given a penny toward this system since 1938, notwithstanding the fact that Pennsylvania pays, of course, its share of taxes to the Federal Government. This has developed tremendous pressure on the budget in Pennsylvania, because here the State is paying out money, and because of the adherence to this plan, which is theoretically objectionable to the Social Security group, we get no reimbursement.

The blind of Pennsylvania have overwhelmingly supported this plan. And when, from time to time—I should say there were six or seven occasions in the last 12 years—efforts have been made to substitute a relief plan in lieu of our plan, the blind of Pennsylvania have been terrified, and I use the word advisedly, because as far as they are concerned, it would be an unmitigated calamity if we were to have any type of change.

It would amount to reducing to destitution some five to ten thousand blind in Pennsylvania. Now, I have that on the advice of Mr. Day of the State Council. And it is easy to arrive at the figure, because all one has to do is to compare the number of blind in Pennsylvania with what the situation is in New York. If Pennsylvania were to go off of its pension system and on to a relief basis, the so-called needs test, and if that test were applied with the same rigor as it is applied in New York, 12,000 blind people—I repeat, 12,000—would lose their relief. It is a thing which is very, very serious to you, if those blind people among those 12,000 are your friends. Of course, if they are just cases and statistics, as I suppose it would be to most of the Social Security folks, it would be different. But there is a big difference between a friend and a statistic. And that is why I feel so strongly on this point.

Definitely there is included in this bill, H. R. 6000, a provision for the obsequies of the Pennsylvania and Missouri pension plan; I believe it is section 345, which provides for the approval, arbitrary approval, of such plans for some 2-year period.

Senator MILLIKIN. Would you mind if I read into the record what H. R. 6000 says on that subject?

Mr. TAYLOR. I would be much obliged if you would, sir.

Senator MILLIKIN (reading):

> For the period October 1, 1949, to June 30, 1953, any State which did not have an approved plan for aid to the blind on January 1, 1949, shall have its plan approved even though it does not meet the requirements of clause (8) of section 1002 (a) of the Social Security Act (relating to consideration of income and resources in determining need). The Federal grant for such State, however, shall be based only upon expenditures made in accordance with the afore-mentioned income and resources requirement of the act. (Alaska, Missouri, Nevada, and Pennsylvania had no approved plan for aid to the blind on January 1, 1949.)

Mr. TAYLOR. Well, we feel that notwithstanding the loyal support that the blind of Pennsylvania and Missouri have heretofore received from the members of their respective legislatures in resisting the pressure from the Social Security Administration to end our pension systems—we feel that this new plan, which will give them a taste of Federal money, then threatening to pull it away, which this act automatically will do, will make our position untenable; and we feel that we in Pennsylvania and Missouri will then be confronted with a so-called needs system, the type that Social Security sponsors so vigorously.

Of course, we in Pennsylvania have hoped that something in the manner of, I think it is, Senate bill 2266, introduced by Senators McGrath, Wagner, and Ives, which was very similar to a bill in the previous session introduced by Senator Martin of Pennsylvania, which would allow the States to fix for themselves how much income a person could have before he was disqualified from receiving assistance, would be acceptable; but the Social Security group is very strongly opposed to that.

We were disappointed to find in the present bill that it does not state that the exempt income is permissive. It is mandatory so far as its limits are concerned. It is restrictive, prohibitory, because no State may allow more than $50. It might with good reason be enacted by the Federal Government but only to the extent of $50 exempt income would the Federal Government support a State plan. But this says that a State plan which exempted, we will say, $100 a month would be absolutely rejected, even though the second $50 was purely a State matter. And that is what we find so distressing.

Now, it seems that there is a very strong feeling in support of this bill, H. R. 6000. And, as Dr. Irwin pointed out yesterday—and to that extent we certainly are in accord with him—to allow some relief from this crushing formula of "a dollar earned, a dollar off" is progress. But what we earnestly ask is this: that some leeway be given the States to experiment.

For example, there has been much discussion between the State of Pennsylvania and the Social Security Administration on this point: Suppose Pennsylvania were to set up a plan for aid to the needy blind, which in every respect met the requirements of the Social Security Board, and which under ordinary circumstances would be approved, but yet there happened to be in the State a blind pension which took care of the cases which could not be taken care of by the plan. The Social Security Board would refuse to accept that plan. In other words, they take the position that they have the right to go into a State and to scrutinize laws which in no wise affect the operation of that plan. And if they do not like the other laws of that State, they reject your plan.

Now, they will have to admit, and it has been admitted in many discussions, that if we in Pennsylvania were to establish a plan suitable and agreeable to the Social Security Administration, they would refuse to accept that plan, merely because there was an unrelated statute in Pennsylvania which in no wise affected the blind who qualified under the plan. They would arrogate onto themselves the right to supervise and scrutinize the legislation in the State which does not affect their plan.

We can readily see why they should have the right to scrutinize statutes, practices, and rulings in a State which affected the operation of the plan. But it certainly seems to us the virtual annihilation of States, if an administrative agency can go into a State and say they don't like a law which does not affect that agency.

Now, we are earnestly calling to you attention an amendment which we are suggesting, which we feel certainly should not be objectionable. I have just drafted it in Braille, and later on I will ask leave to submit it in typing.

The CHAIRMAN. You may do so. Furnish it to the committee, and the reporter will insert it.

Mr. TAYLOR. Thank you, sir. It is only a brief amendment.
(The material to be supplied follows:)

SUGGESTED AMENDMENT TO H. R. 6000

If a State plan for aid to the blind meets all of the requirements of this act, the Administrator shall not disapprove it on the ground that there exists in the said State other laws, programs or institutions relating to, providing for, or granting pensions to the blind, which the blind may elect to accept in lieu of the benefits of the said plan unless he, the Administrator, finds as a fact, based upon clear and convincing proof, that the said State plan cannot operate with respect to such blind persons as elect to accept its benefits because of the coexistence or operation of such additional State laws, programs or institutions.

Mr. TAYLOR. The point would be this: that if a State plan for aid to the blind meets the requirements of this act, the Administrator shall not disapprove the said plan, on the ground that there exist in the said State other laws, programs, or institutions relating to, providing for, or granting pensions to, the blind, which the blind may elect to accept in lieu of accepting the benefits of the said plan; unless the said Administrator finds as a fact, based upon clear and convincing proof, that the said plan cannot operate with respect to those blind who do accept its benefits, because of the existence and operation of such additional State laws, program, and institutions.

In short, we readily concede that if there were reasons for him to find that some of these collateral or unrelated laws or programs hampered the functioning of the plan so far as it relates to the blind who are under it, it would be only fair that he should have the right to object. But we ask that unless he can find as a fact that those other statutes and other experiments which a State may see fit to make hamper the plan, the existence of those collateral or unrelated laws should not disqualify the plan. That, we feel, may be the solution of this problem, because the sentiment in support of those other bills to which I briefly made reference does not seem to be strong enough to give any hope for their passage.

This amendment which we suggest may tend to ameliorate the terrible impact of the passage of H. R. 6000 upon the blind of Missouri and Pennsylvania. And I say that any change which will deprive some five to ten thousand blind people of their aid is a very serious matter, a very deplorable step; if a simple amendment like this, which no reasonable person unless he desired to obliterate the States as States could possibly object to, might be a solution which would not hamper the main workings of this bill, or its whole philosophy, but yet would mean a godsend to ten thousand blind people in Pennsylvania and perhaps a thousand to two thousand blind people in Missouri. And I earnestly ask your careful consideration of this amendment.

The CHAIRMAN. We will be pleased to have your amendment inserted in the record. And thank you very much for your appearance.

Mr. TAYLOR. Thank you, sir.

The CHAIRMAN. Let the chairman inquire about the two other witnesses listed for today, Mr. Ballard and Mr. Rubin. Is Mr. Ballard here?

Mr. BALLARD. Yes, sir.

The CHAIRMAN. And Mr. Sol Rubin, National Probation and Parole Association? Is Mr. Rubin present?

The reason I ask is that the clerk called my attention to the fact that he might not be present.

Does the committee desire to finish with Mr. Ballard at this time, or come back in the afternoon?

Senator MILLIKIN. If we do not have another one, I would prefer to finish this morning.

The CHAIRMAN. Does that suit you, Senator Kerr?

All right, Mr. Ballard. Please come around.

STATEMENT OF RUSSELL BALLARD, DIRECTOR, THE HULL HOUSE, CHICAGO, Ill.

Mr. BALLARD. I notice that Mr. Kouns, of Colorado, was in the hands of his friends, here, this morning, with Senator Millikin and Senator Johnson present. My Senator from Illinois is not here and Senator Kerr does not know it, but I grew up in his State of Oklahoma. Perhaps he can represent me.

Senator KERR. I would be delighted to do anything in that regard that you would like.

Mr. BALLARD. You will pardon my infirmity this afternoon. I have been ill with laryngitis for some time.

I appear before this committee representing the board of the National Federation of Settlements and the Chicago Federation of Settlements and Neighborhood Centers. The statement I am about to make will be in support of a $12,000,000 authorization to the Children's Bureau for child-welfare services. I speak of this phase of H. R. 6000 because child welfare comes more directly in the field of my experience. I welcome this opportunity to speak up for children—dependent and neglected children, and children in danger of becoming delinquent. And before I have finished I will have something to say about juvenile delinquency and the needs for improving the care and treatment of the juvenile offender and in that manner this can be done through the Children's Bureau.

I have lived 26 years of my adult life in the blighted areas of industrial communities. Fifteen of these years were spent in public education, five in public welfare, and six at Hull House, a social settlement.

The experiences of these years have brought me in touch with large numbers of children. I have seen many children and youth lose their way because circumstances denied them their equal chance. For 11 years as a school principal, I was associated with some 1,200 children, who for the most part came from families of low income. The physical and emotional problems that arise in the home and in the community are often observable in the classroom. During these 11 years, we met with many frustrations because social services were not available and because there were no financial resources, often so important in planning for the protection and care of children in need.

The Federal Social Security Act, creating so many social services in the local community, was yet to be passed. There were no child-welfare services, no foster-home program, no proper standards for adoption and no child-guidance clinic. The most serious cases of dependency and neglect were sent to institutions, while the less serious were often left alone to drift into delinquent behavior.

Senator MILLIKIN. Mr. Ballard, would you give me your opinion as to why the people of Chicago and the people of Illinois, and the same question would go to any other State, were insensitive to the problems that you are discussing, and why out of their own resources

and their own energies and their own interest in the subject they did not provide the answer?

Mr. BALLARD. I don't think it is so much a matter of being insensitive. I am going to point out later on, in connection with probation, how certain Illinois counties, the poorer counties, don't seem able to meet the need.

Senator MILLIKIN. But there would be a residual State responsibility there.

Mr. BALLARD. Yes. I was in Lake County, Ind., for many years, and we had probation administered on a political basis there. As a school principal, I was frustrated many times because I could not get them into a case and get them to go to work on it. I went to work for the social-security program, because it was a challenge, an opportunity, to do more for children. Perhaps after I have gone a little further into my statement, that may clear it up, Senator; but feel free to interrupt at any time.

The probation service was ineffective, and the delinquent boy was all too frequently committed to an institution because there were no treatment facilities available. That is to say, there was no one available who was trained to study the causes of the child's difficulty and to repair the hurts, ease the tensions or change an environment that was damaging to a child.

Because there was no understanding child-welfare worker in the community to change the environment of two boys—ages 14 and 15—in my school and remove them from their miserable homes, I saw them sent with older boys to the State prison on life sentences for murder. Because there was no money for a foster-home program, I saw many children sent to institutions where there is never enough love to go around—children like the 9-year-old boy in the third grade who 3 years earlier had seen his father beat his mother to death with a poker and then commit suicide. This boy was unwanted by his relatives, homeless, and emotionally upset.

It was disturbing in those years to see children deteriorate before your eyes because there was no skilled social worker available to study the causes of their difficulties and to work out plans for improved care. One of the reasons I accepted the responsibility of inaugurating a county welfare department in 1936 was the challenge of having a part in expanding social services for children.

It was a great day for children when the Social Security Act was passed in 1935 and the Congress earmarked $1,500,000 for child-welfare services. This appropriation gave the Children's Bureau the opportunity to help the local community raise the standards of child care.

With the cooperation and supervision of the Children's Bureau in Washington and the children's division of the Indiana State Welfare Department, it was possible to organize a county children's agency through which we could make wider provisions for the care of dependent and neglected children and children in danger of becoming delinquent. The help and supervision from the upper levels of government set us on our way.

I never heard of a foster home until I became county director of public welfare. I suppose it was part of the learning process. There weren't enough of us trained. There wasn't an acute public opinion that realized what could be done once we inaugurated these services.

And I say here that the help from the upper levels of government set us on our way.

Foster homes for neglected or homeless children were located and institutional placements forestalled. Dependent children, all but forgotten in institutions, were brought back to the county to enjoy normal living in foster family homes. Now, there were skilled child-welfare workers available who knew how to make a plan for the defective child about whom the neighbors complained because she slept all day and cried all night.

To follow a plan that involves the removal of a child from his home, for any reason, is a major social operation that requires great skill. Yes—and to place a little child in the proper adoptive home carries with it not only great responsibility but also requires understanding and skill not unlike that of the surgeon who hold the life of the patient in his delicate hands. To discover a neglected youth, bedridden from polio for 5 years, and to expertly manipulate his environment so that he can walk again, make friends and really begin to live, is an example of what I mean by services of the highest order to neglected children. And it should be remembered that with Federal funds the Children's Bureau has made it possible to train more people for this kind of specialized professional work.

With the help of the consultants from the Children's Bureau, our county children's agency established a child-guidance clinic. We were then able to find out why a girl ran away from home, why a youth set fires, and why a boy attacked his teacher. After causes were understood an intelligent program of treatment could be instituted. And thus child-welfare funds helped greatly 10 years ago to lay the foundation for the child-guidance clinics later to be expanded under the Mental Health Act.

Having been so near the problems of children and having observed the improvement in child care following the passage of the Federal Social Security Act, I am impatient so see extended to larger numbers of ill, unhappy, unloved, and forgotten children the kind of service to which I have referred. I cannot emphasize too strongly that a broad child-welfare program which includes services and funds for foster home placement, boarding home care, improved adoption procedures, child guidance clinics and medical and dental care, can be an effective agent in the prevention of delinquency. And I want to raise the question right now: "Are we willing at this late date to pay the cost in money and service to prevent delinquency among youth?"

Unfortunately the services I have been describing are available to all too few needy children. It has been 15 years since the first social-security bill was passed and still in only 600 counties out of 3,100 in America is there available so much as one child welfare worker, paid from public funds, who is devoting full time to supervising children in need of special services or assisting the court which reaches out to protect them. We are not now meeting our responsibility as a nation to the children who are handicapped by birth or environment.

In a democracy it cannot be denied that the care of needy children is first a public responsibility. While private agencies privately financed perform valuable services—I now work for one—it needs to be said that one way to deny opportunity to large numbers of children is for men and women in legislative positions to believe that private contributions to private child welfare agencies will be sufficient to meet the need.

I respectfully urge that the original request for $12,000,000 be authorized to extend the services I have been talking about to more children whose needs are great.

I next wish to direct your attention to the great need in this country for improving the facilities for the care and treatment of the juvenile offender.

Senator MILLIKIN. I would like to ask: Why is it beyond the means and the spirit and the sensitiveness of the States to raise $12,000,000 for needy children? Why do we allow that sort of thing to develop?

Mr. BALLARD. I think, of course, as I indicated earlier, this is an educational matter. With Federal funds it has been possible to educate the States to do so much more than they did before. I am thinking of our own county, where we had no foster home program and were spending $150,000 after a county welfare department was organized in 1936 and Federal funds were available.

Senator MILLIKIN. Is it your theory that this is an incentive to do the things we ought to do at home but for one reason or another do not get around to doing?

Mr. BALLARD. It is a stimulus; yes, sir.

It would be an historic event if this Congress, either by amending H. R. 6000 or by a separate enactment, would authorize an additional $12,000,000 to be used by the Children's Bureau in helping the States improve the methods of dealing with youth in trouble. Specifically, I mean improved juvenile probation service, adequate detention facilities, and finally better methods of treatment within the various State institutions for juvenile delinquents.

Senator KERR. Mr. Ballard, do you think it is an accurate statement to say that every penal institution in this country is a monument to neglected youth?

Mr. BALLARD. I think there is a great deal in that. I have not brought it out in my testimony, but the studies of the failures of juvenile institutions are impressive. In one study, the finding was that 88 percent of the graduates of State institutions go on to prisons. And other studies have indicated this is true in 70 percent of the cases. I want to point out, in a moment, why they have failed.

Probation as a form of treatment for the juvenile offender has been a part of the Illinois statutes since 1899.

Now, I ask you, Senator, Why it is that every county in Illinois hasn't got a juvenile probation officer? But they haven't. Yes; that was on the statute books in 1899, 50 years ago. Yet today, 50 years later, 23 counties out of 102 do not have any juvenile probation service, and 41 counties have only some form of part-time service. And Illinois is a pretty well-to-do State.

Senator MILLIKIN. Why, here at Washington, should we be more alert to that than the people of Illinois are?

Mr. BALLARD. Because I think, Senator, as the Senator from Colorado, you care what happens to a child in southern Illinois. I care what happens to a child in Colorado.

Senator MILLIKIN. Yes; I care what happens to a child in southern Illinois, and I also care what happens to a child in Colorado.

Mr. BALLARD. I know you do.

Senator MILLIKIN. And it is an affront to me that that particular phase of this problem ever gets beyond the State level.

Mr. BALLARD. Of course, you might say the same thing is true as to aid to dependent children.

Senator MILLIKIN. I go with you on that.

Mr. BALLARD. Of course, I don't agree with you. I think that you have got to use the taxing power of this larger agent.

Senator MILLIKIN. I am not saying we are not going to do it. If these States and local communities will not accept the responsibility, we have no alternative but to act at the Federal level. But we are not any wiser or any different than the people at home, because we come from there.

If I may make a personal observation, I belong to the school of political thought that believes that the further your Government is away from the people who are governed, the more you are apt to find your Government becoming a thief of liberty.

Mr. BALLARD. Of course, I think these children belong to the Nation. In time of depression the Nation has to step in. In time of war the Nation steps in and puts its hand on our boys, as it should. And I think in times of peace it is the province of the Federal Government, in many of these services, to use its greater taxing power to distribute some of this load.

Senator MILLIKIN. I like to think of it in terms of successive liability. I like to think of the first liability as being in the home, the next liability in the State, and the final and residual liability in the Federal Government. And I go with you 100 percent that if we do not meet our obligations at home there is no place to come to but here for their satisfaction. And I think perhaps I am talking theory completely, because I have seen so many instances where at home we will not face up to our responsibilities on our own initiative.

Mr. BALLARD. I would certainly hate to see us at home lose our responsibility. I was very happy in the county welfare department, because we had a merit system; and we only had a merit system because we had Federal money coming into the county. Our administration was leveled up on a higher plane because of Federal and State finance and therefore supervision. There was no interference by the local politicians in the administration of our program. That was in part because we had Federal money coming into the local county, and State money, and we got a merit system, as a consequence. And I could not have appointed a person to a job who was not on the eligible list. I believe that these Federal subventions do help to level up the administration of these local units and improve local services. That is a personal observation.

Now, speaking of probation, in the recent report of the Child Welfare Commission of Illinois, one part-time county probation officer is quoted as follows:

> I am the probation officer for both the county and circuit courts in connection with my railroad position. I need more salary and a stenographer. The work is on the increase. In addition to my probation duties, I help the schools as a truant officer.

Another part-time probation officer in my State writes:

> As the county nurse, the job was wished on me.

Peoria County with a population of 154,000 supports three full-time juvenile-probation officers. Now, that is a rich county. In addition, the county pays for an extensive child-welfare program. During the fiscal year 1941–42, Peoria County committed only three boys to the State training school while Williamson County, with one-third of this

population and without any probation officers committed two. Massac County with one-tenth the population of Peoria County and with no probation service committed three, or as many as Peoria. While Peoria made no commitments to the training school for boys during the next fiscal year, Williamson during that period committed 11 boys and Massac County committed 6.

What is true of Illinois holds for the majority of the 48 States. Skilled probation service for the juvenile offender is not provided in large sections of the country, particularly outside of the city areas. As child-welfare services are being improved in the local community under the guidance of the Children's Bureau, probation services can likewise be extended and the standards raised if the Congress will give its approval.

I next want to speak about juvenile detention. Because there are insufficient detention homes or receiving homes for the child in difficulty, large numbers are held in common jails awaiting disposition by the court with juvenile jurisdiction. The Child Welfare League of America reports that in 66⅔ percent of the United States communities, detention facilities for foster children are so scarce that they are confined in regular jails. On the basis of a survey made in 1945–46, the National Probation Association estimated that 40,000 children are detained in jails every year. I have met boys at the door of an institution for delinquents, who had already been corrupted by adult prisoners with whom they had associated in a county jail. One 15-year-old boy had spent 5 months in an Illinois jail before coming to the State training school. He had been there 18 months. I sent him home. And in a few months he was back at the institution wanting me to help him get into the military service.

The National Conference on Prevention and Control of Juvenile Delinquency called by the Attorney General of the United States in 1946 included juvenile detention among its considerations. I quote from the report on this section, page 3:

> Approximately 79 percent of over 3,000 jails in the United States were found by Federal Bureau of Prisons' inspectors to be unfit for the detention of Federal prisoners. Yet these jails are often reported to be holding youngsters under 10 or 12 years of age. The following items are typical of reports coming from Federal inspectors:
>
> In a city of almost a million people the city authorities have not provided a proper place for holding children. In that jail that day there were 72 children 16 years of age or younger. They sleep in the same cells with adults, they eat in the same dining room, they associate with them during the long, dragging hours of the day.
>
> In another jail boys and girls crowded into cells. It seemed to me an unusually large number of children were in this jail in a county where there was a juvenile court. Since the first part of June, those boys and girls had been held, waiting for the juvenile court which did not convene until the end of August. All through the summer for 24 hours a day these children had been in jail in small cells. The most serious charge I could find lodged against them was stealing a few packages of cigarettes. Some of them were not more than 12 years of age. For petty thefts, where a man might be given 30 days, they had already served 3 months without a hearing.

The conference concluded that field consultant service financed by the Federal Government is greatly needed for States and counties. The recommendation for action suggests that the United States Children's Bureau might well provide this service through its regular field representatives. The appropriation which I recommend would make that suggestion a reality.

I have been speaking about the need for improving probation and detention for the juvenile offender. Let us look for a moment at the State training schools for juvenile delinquents as an instrument of treatment. I make the bold statement—and it can be substantiated—that by and large the poorest educational or training job in America is carried on in these schools.

Numerous surveys over the country point up the continued failure of too many boys after release from the training school. One explanation is that there has been an overemphasis on custodial care and punishment instead of an intelligent common-sense program of training and treatment. The boys and girls sent to training schools represent the most neglected, dependent, and friendless children in the Nation. They are socially ill, sometimes physically ill and malnourished, and too often emotionally scarred. They do not need a juvenile jail but rather an institution equipped like a hospital for diagnosis and treatment. These are youth with whom the community has failed; and because they are all released eventually to the community, it becomes very important that positive changes take place in the individual during the period of commitment.

Not until a boy was killed by an employee, allegedly drunken, in February 1941 at the Illinois State Training School near St. Charles was the decision made to reorganize the school, enlarge the professional staff, and give more intensive study to the needs of the individual boy. I accepted the superintendency and spent there two of the saddest and most frustrating years of my life. Here among the population of 675 boys ranging in age from 9 to 21, were the little boys who had been dumped onto the doorstep of the State school by counties with no probation or child-welfare services. Of course, it is cheaper for the county to let the State take over this child.

I saw for the first time groups of boys who were unloved and unwanted—boys who had actually never had a chance. Boys of illegitimate birth whose problem was not illegitimacy but their mishandled and mismanaged adoption years earlier. Boys with suicidal intentions, one of whom succeeded in hanging himself, while another was sent to the State hospital for the mentally ill. Some had run away from unhappiness most of their young lives. There were those who ran away to commit new offenses and gain status in being sent to prison.

Men and women came from the State capitol to count the institutional towels and linens. They came to supervise the laying out of flower beds and to inspect the highly polished institution floors. The State veterinarian came to treat the farm animals. But no one ever came to find out what was happening to a boy. The authorization of $12,000,000 to the Children's Bureau for the treatment of juvenile delinquency would permit them to help the States provide competent supervisory personnel with an interest in a modern treatment program.

More boys and girls in schools for delinquents will be saved for social usefulness when the public accepts the greater cost in individualizing the work of the training school. There is hope in redirecting the lives of maladjusted children and youth into constructive channels when the skills of the psychiatrist, the psychologist, the psychiatric social worker, the teacher, and the clergy are focused upon the individual delinquent.

I am pleading that the Congress by its authorization of funds make it possible for the Children's Bureau to give time and attention to the

pressing problem of institutional treatment. Right now there is insufficient clinical service in the training schools of America to treat intensively those, for example, like the boy who asked to be placed in a cell because he didn't like people and because people had never been good to him. It is so important that a boy feel there is someone with whom he can talk over his difficulties. It is so important that the delinquent boy have the opportunity to build up a growing relationship with a psychiatric social worker or counselor or sponsor—or call him what you like. An understanding adult will get such responses from a boy as these: "I've always wanted somebody to talk to;" or "Don't tell me how many boys you talk to like this. I want to think that I'm the only one." And, "Since I've had a counselor, I've got somebody to empty up my conscience to." And again, "Since I've known you, I feel that I've got somebody to be good for."

Even though it is rather late in the life of a boy by the time he gets to an institution for delinquents, it is important that such an institution provide someone with the time to listen and to care and someone for a boy to want to be good for. There need to be more opportunities in our institutions for misguided youth to form or to be guided to a treatment relationship—and I mean a satisfying human relationship—where new hopes and new insights can be achieved. The psychiatrist and psychiatric social worker, the clergy, and the other professional members of the clinic team do not pretend to be able to salvage all of the unloved, deprived children and youth who have failed to conform, but emphatically they have been more successful, when given a chance, than has the man with a club. Too long, the public has been deluded by the external setting of their institutions and have judged their administration by order and precision rather than by the intangibles of the spirit that are inherent in the process to effect changes in a boy.

Some of the money made available to the Children's Bureau might be used, I believe, in training institutional personnel. This is a primary need, as any institutional superintendent will tell you. I am sure that the training schools of America, most of them handicapped by limited budgets and unable to attract the best personnel, would be encouraged by this legislation and would welcome assistance and supervision in revamping programs to better meet the needs of the individual boy and girl.

There is widespread interest in the problem of juvenile delinquency; but because of public unawareness of some of the underlying causes, the expansion of child-welfare services—a major factor in prevention—has been far too slow; and the improvement in the treatment process through probation, detention, and institutional care is even slower.

I firmly believe that just as the Children's Bureau has given valuable leadership and direction in assisting the States and local areas to improve services to children, this agency of Government can likewise be of inestimable assistance to local communities as they struggle with juvenile probation and detention and the baffling problem of making their institutions for delinquents more effective agencies in treatment.

I respectfully ask your careful consideration of this recommendation to authorize $12,000,000 to the Children's Bureau for child-welfare services and prevention; and an additional $12,000,000 for treatment of the juvenile offender. Won't you gentlemen take it upon yourselves to strengthen our services to children and youth in

trouble so that more of these disinherited ones can be saved for social usefulness?

The CHAIRMAN. Any questions?

If not, Mr. Ballard, we thank you for your appearance and contribution, sir.

Mr. BALLARD. I thank you for your courtesy.

The CHAIRMAN. Mr. Rubin is not in the room?

The committee will recess until 10 o'clock tomorrow morning.

(The following letter was submitted for the record:)

NATIONAL PROBATION AND PAROLE ASSOCIATION,
New York, N. Y., January 23, 1950.

Hon. WALTER F. GEORGE,
United States Senate, Washington, D. C.

DEAR SENATOR GEORGE: The National Probation and Parole Association, which I represent is a voluntary association with a membership of over 30,000 persons in every State of the Union who are concerned with advancing probation and parole, juvenile courts, and other agencies for the treatment and prevention of delinquency and crime. In our membership is found a majority of probation officers working in all courts, judges (especially of juvenile courts), and others concerned with the treatment and prevention of juvenile delinquency, together with many individual citizens interested in these problems.

In connection with the provisions of H. R. 6000 relating to child-welfare services, may I, on behalf of this association, express our support for an increase in the annual appropriation to the figure of $12,000,000 as recommended. This appropriation, as has been pointed out by Miss Katharine Lenroot in her statement on the bill made before the committee on January 20, represents only $1,500,000 more than the States are now budgeting under child-welfare plans. A much greater sum is needed to even begin to aid the States in meeting important unmet needs, particularly for the prevention of juvenile delinquency and the treatment of delinquents.

Miss Lenroot has already cited studies of our association pointing to the tragic jailing of thousands of children because detention facilities are inadequate. In almost all of the States this is true at present despite laws purporting to prohibit jail detention of children. These laws are unenforceable so long as other detention facilities are not provided. Without Federal help this serious inadequacy will be overcome far too slowly for us to sit by and wait while irreparable harm is done to increasing numbers of children. Fifty-four percent of the counties of the United States have no probation service for juveniles; many additional counties have grossly inadequate service.

The success of the Federal child-welfare program in stimulating improved legislation and services in the States for the care and protection of dependent and neglected children points the way to helping the States in programs for control of the delinquency problem. The present child-welfare budgets under the Social Security Act funds are partially serving the needs of delinquency control. But substantial expansion is needed; adequate numbers of trained personnel, uniformly high standards of procedure in juvenile courts, probation, detention homes, and juvenile training schools appear to be a long way off.

The untreated or inadequately treated delinquent child, or the disturbed child who becomes delinquent because of neglect, are the source of our adult criminals. The local communities are frequently unable to meet the need. Few States take over the responsibility for juvenile probation. In only 6 States is juvenile probation service being provided by the States; even in some of these States the service is inadequate. In all the other States the local communities are thrown on their own resources. The limited development of juvenile probation and detention already referred to is ample evidence that vigorous support for these programs is needed. It can come now from Federal sources for effective stimulation, or it will wait for slow, uncertain, and spotty steps by the States and local communities.

Sincerely yours,

WILL C. TURNBLADH, *Executive Director.*

(Whereupon, at 12:40 p. m., the committee recessed until Friday, January 27, 1950, at 10 a. m.)

SOCIAL SECURITY REVISION

FRIDAY, JANUARY 27, 1950

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

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George, Byrd, Kerr, Myers, Millikin, and Martin.

Also present: Mrs. Elizabeth B. Springer, acting chief clerk; and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will come to order, please.

Dr. O'Shea?

Will you please come around, Doctor? You are the first witness.

Dr. O'SHEA. Yes, sir.

The CHAIRMAN. Just have a seat there, if you will, and identify yourself for the record.

STATEMENT OF DR. JOHN B. O'SHEA, NORTHAMPTON, MASS., PRESIDENT, AMERICAN OPTOMETRIC ASSOCIATION

Dr. O'SHEA. My name is John B. O'Shea, and I reside at Northampton, Mass., where I practice optometry. I am president of the American Optometric Association, formerly having been president of the Massachusetts Association of Optometrists and a member of the Massachusetts Board of Registration in Optometry.

The American Optometric Association is the national organization representing the profession of optometry. It is constituted in the same manner as are similar organizations representing other professions such as medicine and dentistry. The individual optometrist first joins the local association. In a few of the smaller States where there are no local organizations, he joins the State association directly. Upon joining his local or State organization, he automatically becomes a member of the national organization.

There are about 19,000 optometrists licensed and registered in the 48 States and the District of Columbia of whom 15,000 are actively engaged in practice.

There are nine accredited schools or colleges of optometry. These have been accredited by the council on education and professional guidance of the American Optometric Association and graduation from one of these accredited schools is one of the prerequisites for admission to licensing examinations in any State. Just as in the profession of medicine and dentistry, the statutes of the individual States set up boards of examiners in optometry and these boards by

statute have assigned to them the functions of licensing and regulating the practitioners of optometry.

Even prior to September 1, 1949, two of the optometry schools had been giving 5 full years of training at college level. Pursuant to the requirements of the council on education, all of the nine schools and colleges have, commencing with last September first, inaugurated the fifth year so that today, the minimum prerequisite training before an optometrist may take his State board examinations, consists of five full years of college work.

Optometrists are the only persons engaged in the health field who are specifically trained and especially examined and licensed to care for human vision. Their entire educational process is devoted exclusively to the care and betterment of vision and optometrists may factually, though modestly state that they are the only exclusively licensed vision specialists in the entire field of health care.

There are two other groups which care for vision. The one is the ophthalmologist who is a physician who has specialized on the eye and who has taken and passed an examination set up by the American Board of Ophthalmology, which is a section of the American Medical Association. There are approximately 2,600 of this group certified in the United States. These practitioners practice exclusively on the eye and devote the majority of their time to pathology and surgery of that organ. Refraction or the analysis of vision and the prescribing of visual aids are only a bare incidental in the practice of ophthalmology.

There is a third class known as the oculist. The oculist is a physician who sets himself up as a specialist. He has passed no examination regarding his specialty. Most oculists practice eye, ear, nose, and throat work and there are approximately 6,000 of those in the country.

Seventy out of every 100 persons who receive visual care voluntarily seek the services of optometrists and become their patients. The other 30 are the patients of either the ophthalmologist or the oculist. Eminent ophthalmologists have admitted in their writings that the percentage of visual cases handled by optometrists range between 75 percent and 80 percent.

Only about 7 percent of all those whose eyes require professional care are in need of medication or surgery. The remaining 93 percent are properly cared for when they receive either visual training or visual aids; that is, glasses or lenses. Since optometrists are trained, and examined by their State boards in pathology of the eye, this 7 percent is immediately referred by the optometrists for further professional care. While ophthalmologists and oculists perform some refractions, there is no question but that the optometrist is the specialist in this field. Even the ophthalmologists themselves admit that they are more interested in medication and surgery than they are in refractions. In order to substantiate this statement, permit me to quote from an article appearing in the American Medical Association Journal for November 27, 1948, written by two outstanding members of the American Board of Ophthalmology: Dr. S. Judd Beach, in explaining why he wrote on the subject of refraction, said:

> This paper is inspired by the limited knowledge of refractions exhibited by the candidates for board examination. Even the candidates who obtain satisfactory results at the practical examinations show training confined to only one of the standard methods. Young assistants can usually operate on cataracts better than they can fit patients with glasses.

That refers to the younger practitioner. In commenting on Dr. Beach's paper, Dr. M. Hayward Post, Jr. (another member of the American Board of Ophthalmology) said:

> The older ophthalmologist often falls into a rut, and, from lack of time and greater interest in the more spectacular aspects of surgery and pathology, fails to "verify" his refraction. The result is that the majority of older ophthalmologists are notably poor refractionists.

Congress, in enacting the social security law, title X of which provides for aid to the blind, did not attempt to define what constituted blindness or how it should be determined. The handbook of Public Assistance Administration, in the absence of congressional legislation to the contrary, controls. It provides in section 3330, subdivision 4a, that blindness must be determined by "a signed report of an examination made by an ophthalmologist or physician skilled in the diseases of the eye." In section 3351, the handbook recommends using the definition of blindness issued by the house of delegates of the American Medical Association in 1934:

> In terms of ophthalmic measurement, central visual acuity of 20/200 or less in the better eye with correcting glasses is generally considered as blindness. A field defect in which the peripheral field has contracted to such an extent that the widest diameter of visual field subtends at an angular distance of no greater than 20 degrees may be considered equally disabling.

No one can question the competence of an optometrist to make an examination and determine whether or not the person examined meets the requirements of this definition. However, let us state most emphatically here and now that it is not the purpose or desire of optometry by this bill, or in any other way, to encroach upon the field of medicine or surgery. The ophthalmologist has his field and so likewise does the optometrist have his field. But, we equally strenuously contend that there should be no law, rule, regulation, or interpretation which excludes any segment of the public from securing the services of an optometrist in his field. The beneficiaries of the legislation as well as the taxpayers who support it are best served by insuring the availability of the services of optometrists within the scope of their professional attainments.

We urge that the skill and training of both the ophthalmologist and optometrist should be made available to the indigent the same as they are available to those financially able to pay.

The real viciousness of the present regulations has been that the State welfare agencies have used them as an excuse to bar optometrists from participating in welfare programs financed by matching funds, claiming that to do so would deprive that particular State of its Federal grants-in-aid. When this situation was understood by the Ways and Means Committee of the House, they inserted in H. R. 6000 the following language:

> provide 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.

This created quite a furor among the ophthalmologists who proclaimed to the State welfare agencies and the Society for the Prevention of Blindness that under the guise of this bill optometrists were trying to have Congress declare that a license to practice optometry was the equivalent of a certification by the American Board of Ophthalmology. Nothing could be further from the fact both as to the meaning of the language and the purpose for which it was inserted

in the bill. The purpose of the language in H. R. 6000 is perfectly obvious. It seems to prevent an injurious and discriminatory action which deprives the indigent of the services of an optometrist—those indigents who are not really blind. By a warped interpretation of the regulations any person who requires the use of a lens to aid his vision has been put into the category of those who fall within the assistance to the blind. Having been improperly put in this category the next regulation is invoked which states that in cases of blindness only the services of a physician skilled in diseases of the eye may be utilized. This results in all indigent persons who are not actually blind being deprived of the services of optometrists and prevents the optometrists from rendering the very services for which they have been licensed by their respective States.

However, in order that there may be no misunderstanding we suggest that on page 182, lines 10 and 11 and the first 8 words of line 12 be stricken out and that there be inserted in lieu thereof the following:

> To qualify for Federal grants-in-aid under this or any other cooperative program, the State plan shall make available to the beneficiaries thereof the services of optometrists within the scope of the practice of optometry as prescribed by the laws of said State, without discrimination between optometrists and any other ocular practitioners.

During the past 50 years optometry has developed as an independent profession. It has gained the confidence of the people whom it serves. Our profession has recently embarked on an extensive program of research through the establishment of the American Optometric Foundation.

It is not in the public interest nor in the interest of those who must rely upon public funds for their visual care that optometrists should be barred from rendering the services which, under State law, they are permitted to render to those who are financially able to pay.

That, sir, concludes my formal statement.

The CHAIRMAN. So you are satisfied with the House provision, but you suggest the qualification that you have set forth on page 7 of your statement as a means of clearing up the misunderstanding, as I understand you?

Dr. O'SHEA. That is right, sir.

The CHAIRMAN. Thank you very much, Doctor, for your appearance.

Dr. O'SHEA. Thank you.

The CHAIRMAN. Mr. Robert Lansdale is the next witness. You are the commissioner of social welfare of New York?

STATEMENT OF ROBERT T. LANSDALE, COMMISSIONER OF SOCIAL WELFARE, NEW YORK STATE

Mr. LANSDALE. Yes, sir.

The CHAIRMAN. State or city?

Mr. LANSDALE. State.

The CHAIRMAN. All right, Mr. Lansdale. We will be pleased to hear you.

Mr. LANSDALE. In my testimony, I wish to present the thinking of the administrative officers of the New York State Department of Social Welfare on those proposed amendments to the Social Security Act which we believe are most pertinent insofar as the administration

of public welfare in New York State is concerned. These views do not necessarily express the opinion of the State board of social welfare, the 15-member bipartisan group of citizens who are the official head of the department and by whom I am appointed.

New York State has a major stake in H. R. 6000, not only in the proposed amendments relating to public assistance but also to those relating to the social-insurance system.

Public assistance is administered in New York State by 66 local public welfare districts under the supervision of the State department of social welfare. These local districts vary in size from an urban area—New York City—with 8,000,000 population, to a rural county with fewer than 4,000 people.

As of December 1949, more than 500,000 persons were receiving public assistance in New York State at an annual rate of $250,000,000 per year. The total costs are shared as follows: The localities, 19.6 percent; Federal Government, 25.7 percent; and the State government, 54.7 percent.

The average monthly assistance payments per case in each special category of aid were, in December 1949: Old-age assistance, $55.44; aid to the blind, $61.98; and aid to dependent children, $110.92. All of these average payments are above the national average.

New York State has a large home relief, or general assistance, program. Today 201,400 persons are receiving home relief grants, averaging $77.95 per case, and the annual expenditures are at the rate of $80,350,000. Here our average monthly payments per case are the highest in the Nation. The State pays 80 percent of this cost, and the localities 20 percent. The Federal Government, as you know, makes no contribution whatsoever to this substantial expenditure.

Before setting forth the thoughts of our department on specific provisions of H. R. 6000, may I make a few general comments. I want to commend the Senate Finance Committee for establishing the Advisory Council on Social Security on which several citizens of New York State held membership and which demonstrated such a thorough understanding of the principles of the social-security system in its December 1948 report and recommendations to your committee. The House Ways and Means Committee is to be congratulated for the intensive and objective study which it made of amendments to the Social Security Act before bringing forth its recommendations on H. R. 6000.

May I point out that the public assistance programs based upon a means test were never intended to care for the large numbers of persons who are now forced to depend upon them. Public assistance has its rightful place in the social scheme but that place is to meet the residual needs of the minority of our people who, for one reason or another, cannot be protected by the social insurances but who cannot care for themselves without governmental assistance. Today, because the contributory social insurance programs are not carrying their share of the burden of economic need, public assistance caseloads and costs are disproportionately greater than they should be. The result is that:

1. The taxpayers are overburdened with the costs of a public assistance program which is increasing instead of decreasing.

2. The needy in certain States—and I am not referring to New York State—are not receiving sufficient aid.

3. Those aged and their survivors, not protected by social insurance programs, must apply for aid as public dependents.

We believe that the present old-age and survivors insurance program should be extended in coverage, its eligibility requirements liberalized, and the benefit payments increased substantially.

The present provisions of H. R. 6000 would, it is estimated, extend coverage to some 11,000,000 of the 25,000,000 workers not now eligible for social-insurance benefits. That is commendable but does not go far enough. We in New York State estimate that the exclusion of 14,000,000 workers in the Nation, even under that proposal, would mean that more than 1,000,000 New York State citizens would be without economic protection offered by the insurance system.

The CHAIRMAN. What field would they fall into, principally?

Mr. LANSDALE. You mean as to occupational fields?

The CHAIRMAN. Yes, occupational fields.

Mr. LANSDALE. Self-employed farmers, farm workers, domestics, some employees of local government, such as town road crews and town construction crews. Those are the principal ones.

I may say that, as you probably are aware, many of our farm organizations have been very much interested in the extension of coverage, and Dean Myers of the college of agriculture at Cornell University was, of course, a member of your Advisory Council.

The CHAIRMAN. Yes, sir.

Mr. LANSDALE. In our Association of Towns we have some 900 towns, and the executive secretary of the Association of Towns has many times, in our State, pointed out what he considers the unfortunate exclusion of the road crews, the workers that they have to employ temporarily. They cannot qualify under any public retirement system, because they are not full-time workers. Many of them will work on the farms in summer and will work for the town in winter, running the snow plough, and so on.

The CHAIRMAN. You will get to it, I should think, in your statement, but I believe you have no residence requirement now, have you, in New York?

Mr. LANSDALE. No, sir. I am going to come to that, Senator.

The CHAIRMAN. Yes. We are anxious to hear you on that.

Mr. LANSDALE. I have just mentioned that I think the coverage should be extended.

In its present form, H. R. 6000 proposes that persons shall be able to qualify for insurance benefits after 5 years of covered employment. That is a great step forward. The recommendation of the Advisory Council for an even shorter eligibility period might well be considered.

Benefits paid should be adequate enough to eliminate the need for public assistance. In New York State, for example, in December 1948, the average old-age benefit payment was $25.70. In the same month the average old-age assistance payment was $54.79. And that old-age-assistance payment does not include expenditures for hospitalization of the aged. That is the grant for maintenance. So as you will see, the old-age-assistance payment was more than double the old-age-benefit payment.

The proposals in H. R. 6000 for increased benefits are obviously needed and should be made effective at the earliest possible moment.

So much for the old-age and survivors-insurance provisions.

The most variable and unpredictable expenditure in public welfare is general assistance, or home relief as we call it in New York State. This is cash assistance and service to needy individuals and families who are not eligible for the Federal categories of assistance—aid to the blind, old-age assistance, and aid to dependent children.

Because general assistance is thus the residual or catch-all program and is most responsive to economic fluctuations, it is the most unpredictable of the four assistance programs. Because it is responsive to changes in the economy its case loads and costs have risen sharply in recent years.

States like New York whose laws require that all needy persons be cared for, must provide substantial funds for general assistance, without Federal help, for such individuals and families. In other words, while the Federal Government recognizes an obligation to contribute to the cost of caring for the needy aged, the needy blind, and the needy widows and children, it has assumed no responsibility for other needy persons. Consequently, we approve of the principle of Federal financial participation in general assistance.

The proposed category of aid to the permanently and totally disabled in H. R. 6000 would, of course, provide for a small segment of the general assistance population. But this would by no means meet the problem faced by many States.

The most expensive item in the administration of public welfare in New York State today, cutting across the whole assistance program, is medical and hospital care.

In 1948, for example, the cost of hospital and medical care for the indigent sick amounted to more than $80,000,000. Approximately 45 percent of the expenditures made by public welfare departments for medical and hospital care were for persons who needed no other public assistance. The present provisions of H. R. 6000 limit Federal sharing in medical care costs to those individual cash grants which do not exceed the Federal ceilings. In States, such as New York, where the average monthly payment is already in excess of these ceilings, the medical-care needs of recipients must be met largely from State and local funds.

We urge the committee to consider the Advisory Council's recommendation for a new and separate reimbursement formula for medical care furnished assistance recipients.

Any proposal for increased Federal financial participation in public assistance must be considered in relation to the wide variation among the States in the average grants of assistance as well as the wide range in the number of persons receiving aid in proportion to the population. The first is a matter of assistance standards; the latter, one of eligibility requirements—responsibility of relatives, income and property exemptions, and the like. It appears to us that the time has come for more specific authority in the Social Security Administration to deal with these matters on a national basis rather than on a State-by-State basis.

Now, Senator, I am coming to some comments on residence.

The CHAIRMAN. Yes, sir.

Mr. LANSDALE. At this point I wish to place before the committee for consideration a matter which relates to the subject of residence.

We believe that the Federal Government has a responsibility for financing assistance to those persons otherwise eligible who are unable to qualify for assistance because they have not lived long enough in a particular State. We are still a healthy country and people will continue to move from State to State to improve their economic circumstances. Proposals to meet the problem of assistance to nonresidents by requiring that all States abolish residence laws have failed consistently over the years. A proposition to this end was contained in the original bill introduced in the House of Representatives. I refer to H. R. 2892.

We believe that progress can be made on this through a wholly different approach. We base this on years of experience in New York State.

Since 1873 the New York State welfare statutes have provided that persons found in need should be cared for regardless of their length of stay in the State. Of course, families are urged to return to another State if that is socially desirable. Otherwise the local public welfare district provides assistance and care but the State reimburses for the full cost where the individual or family has not resided in the State for more than a year.

In February 1948 the Regional Continuing Committee on Social Welfare and Relief Problems, representing 14 Northeastern and Middle Atlantic States, at a meeting called jointly by the New York State Joint Legislative Committee on Interstate Cooperation and the Council of State Governments, adopted a resolution which included the following item as one to be given priority by the Congress in enacting changes in the Social Security Act:

> Federal reimbursement to the States in the amount of 100 per centum for all public assistance and care granted nonresidents, including migrants, by the States in accordance with State standards of assistance and care for a period of one year.

The responsibility of the Federal Government for nonresidents has been heightened in recent years through the movement of thousands of our citizens from State to State to furnish manpower for defense industry and other national developments. Furthermore, the Federal Government has a direct stake in the welfare of residents of Territories and insular possessions, some of which have a surplus of manpower which has been encouraged to seek economic opportunities in the States.

I might pause there, Senator. That is what I had to say about residence, but I believe you had some other questions to ask on the New York State experience.

The CHAIRMAN. Yes, sir. Would you give us the experience of New York State, since you have relatively high benefits, on that particular point? Have you noticed that many citizens were induced to come into New York State in order to get those higher benefits, or get them quicker? What has been your experience?

Mr. LANSDALE. Well, sir, as I indicated, New York State has taken care of nonresidents since 1873. If the fact that we have that liberal and, may I say, hospitable attitude toward persons who are found in need in the State—if that had encouraged people to come to New York State, I think we would have known about it long before this. We believe that people come to New York State primarily because of the economic opportunities there. But people do not move around the country because they think they will get greater assistance.

We have currently been making some analysis of this, because members of our State legislature and people in the general public have been concerned by recent population movements to the State. We have not quite completed that material, but I have one figure that I think gives some index. You will notice that care is given to the nonresident by the local welfare department, just along with all other cases. But they bill the State for 100 percent of the cost. In other words, the State bears 100 percent of the cost of that nonresident.

Senator KERR. Whether it is a nonresident of the county or of the State?

Mr. LANSDALE. No, sir. Now that brings in another factor; that is, residence within the State. And I think maybe I had better clear that up before I go on to the other point.

In 1946, the legislature abolished local intrastate settlement requirements. Prior to that time if a person moved from one county to another, for example, and had to apply for assistance, and had not lived there for a year, county B, to which he had moved from county A, would provide the assistance, and they would bill back the other county to which he was chargeable. He had a settlement in county A from which he had moved in a year. And that system existed in New York State for many, many years. It went back practically to Colonial times.

After a great many years of study and agitation over the problem, in 1946 the legislature abolished local intrastate settlement requirements.

Senator KERR. Reimbursement?

Mr. LANSDALE. Well, it was a charge-back. That is all gone. If this man moves from county A to county B and becomes in need before the end of a year, he is cared for there, and that cost is borne just like any other case.

It is interesting to note the experience we have had just within New York State, in relation to the national problem. Many people said, "Oh, goodness, if you break down this settlement system within the State, certain counties will be flooded." And I think it took a lot of courage of the legislature to do it, in 1946, because that was when our industrial demobilization was taking place and certain of our industrial areas, like Buffalo, Niagara Falls, and so on, had had quite a migration to them from the rural areas.

The thing has leveled out. There has been no problem. We have made a study, the local departments in cooperation with the State, over the years, and we have found that all we were doing in this business was an elaborate exchanging of money between welfare districts, which practically evened off. And it came to involve a lot of paper work. One welfare official put it to me this way. "I can't tell you how much time we are now saving. Under the old charge-back system we had to devote a lot of time and argument to individual cases." He said, "Usually the matter of who paid for the case would be determined by which local welfare department put the most time on it and had the best staff to argue down the other one."

There was just an elaborate billing process going on.

With the abolition of intrastate settlement, within the State, we have found no appreciable rise in relief recipients in any particular county, or any change in cost.

Now to come back to our experience under our policy of providing aid for persons who are not residents. As I say, the State reimburses the locality for that cost, and we call these State charges. In 1945, the State charge bill borne by the State represented 5 percent of the home relief expenditures. In 1946, it represented 2 percent of the home relief expenditures of the State. Now, there is one change in the law which has affected that somewhat, but when it is rounded out and we are convinced that the actual cost, in other words, assistance to nonresidents has been going down since 1945.

The CHAIRMAN. This State charge is only for the first year. After the expiration of a year, there is participation by the State and by the local government?

Mr. LANSDALE. Yes. Up until 1946—that was the date of change in the law that I referred to—if a family on assistance was a State charge, they remained a State charge as long as they were in need. But in 1946, when we abolished the intrastate settlement provision, there was also a terminal date placed of 1 year for the nonresident receiving assistance. There are other categories, there, that I should not let pass, however. If a dependent child under foster care in a foster home or in an institution is a State charge, that child remains a State charge until he reaches his majority or is returned to the community—if he is reunited with his family, or whatever. And likewise a person in an institution—for example, a long-time hospital case—would remain a State charge until his illness was cured. But for public assistance a family would only be a State charge for one year, and then they would become a local-State charge.

The CHAIRMAN. Yes, sir. You may proceed.

Mr. LANSDALE. I had just referred to our belief that there should be some Federal fiscal responsibility for nonresidents. And in this connection. I should like to urge the inclusion of Puerto Rico and the Virgin Islands within both the old-age and survivors insurance system and the public-assistance programs.

Now a word about child-welfare services. There are a number of States which believe that this committee should act to increase the present allowance in H. R. 6000 of $7,000,000 a year for child-welfare services to $12,000,000 a year. For New York State, however, an increase in Federal moneys for child-welfare services under the current rules is not warranted. We cannot spend the moneys now allocated. In fact, we have accumulated, since 1937, balances which now total nearly $250,000 in child-welfare services funds. Our annual allotment currently is $115,000.

This does not necessarily mean all of the needs of children in New York State are being met nor does it mean that the State and its political subdivisions are neglecting the needs of children. What it does mean is that under the Federal agency rules which now govern the spending of these moneys there is limited recognition of the established patterns of child care prevailing in New York State. Consequently, we can find no reasonable and useful way in which to expend the allotted funds without destroying the progressive relationship which exists between our public and voluntary child-care agencies. In meeting the needs of dependent, neglected and delinquent children in New York State, many jurisdictions are involved.

Senator MARTIN. Mr. Chairman, may I ask a question there?

The CHAIRMAN. Yes; Senator Martin.

Senator MARTIN. What do you mean by "voluntary agency"?

Mr. LANSDALE. By "voluntary agency," sir, we mean a nonprofit private philanthropic agency.

Senator KERR. Such as——

Mr. LANSDALE. In this field we have, for example, the Children's Aid Society of New York City, the Catholic Charities in every diocese in the State, Jewish children's agencies and institutions, as well as nonsectarian, Protestant, and so on.

Senator MARTIN. All right. Thank you.

Mr. LANSDALE. We have vast resources of voluntary children's institutions, both doing a foster-home job and an institutional job.

Senator MARTIN. Do you have in New York a plan to assist widows in order to keep their families together?

Mr. LANSDALE. Yes, sir. We have that in our aid-to-dependent-children program. It is a program in which we participate as a part of the Federal program.

Senator MARTIN. How does New York State conduct that work? What is your supervision over it?

Mr. LANSDALE. The aid-to-dependent-children program is one of the four programs of public assistance, old-age assistance, aid to the blind, aid to dependent children——

Senator MARTIN. What I am getting at: Do you just make an allocation of so much per week to the mother?

Mr. LANSDALE. The care is administered by the local welfare department. They determine the total need of the family, including whoever is the head of the family, the mother or the relative. We include the total family in our grant.

Senator MARTIN. I am very much interested in it. I think that anything that we can do in order to keep the family under the supervision of the mother or someone like that is a very fine thing to do; and I wonder just how you are conducting it in New York.

Mr. LANSDALE. Our program goes back to 1915 in New York State, and Miss Jane Hoey, head of the bureau of public assistance, was one of the earliest workers in that field in the New York City Board of Child Welfare. The eligibility requirements have been expanded over the years. But the family group has always been the basis for determining the amount of assistance and care needed. And that is why we like the proposed change in H. R. 6000, which recognizes the head of the family to be included in the grant.

Psychologically, the present provision seems to omit that person, and that head of the family is the reason for keeping the family together. When we provide for the family head we don't get Federal aid for it. Does that answer your question?

Senator MARTIN. We do the same in Pennsylvania, and we do not get aid for it. And I think it is one of the most valuable services that we render. Because there is nothing better than to have a child reared by parental care.

Thank you very much.

Mr. LANSDALE. Yes, sir.

I am now speaking of the care of children who must be removed from their own homes because either of neglect or the absence of any parental responsibility, or because of delinquency.

Senator MARTIN. Yes. I understand.

Mr. LANSDALE. Public and private welfare agencies and institutions, children's courts, and surrogate and other courts have various responsibilities for children. If children are to be more adequately served, then, in our opinion, the Federal rules governing the use of the child-welfare services grants must be made sufficiently flexible to fit these long-established patterns of child care.

Although New York State itself cannot use productively added funds for care under present limitations governing their use, we have no objection to increased child-welfare services funds for low-income States.

Senator, it might be well if I illustrated the kind of thing that we cannot do that we would like to do, because this point is very important to us.

We have a partnership with the voluntary agencies. We consider their organizations and their institutions a part of the total child-welfare resources of the State, and a local welfare department will in many instances place the child for care with the private institution and pay for that care. They are purchasing service for the care of that child.

One program that we have been working on particularly is the care of juvenile delinquents. We have four or five outstanding voluntary institutions in this field: the Children's Village, Lincoln Hall, Hawthorne-Cedar Knolls, which is under the Jewish Board of Guardians, the George Junior Republic, the Berkshire Industrial Home. Those institutions are so good that they are used by agencies all over the country. And our local children's courts and our local welfare departments use them.

We are very much concerned about certain youngsters who are committed for juvenile delinquency. They are disturbed kids. The psychiatrists look at them and say, "They are not psychotic; therefore, they are not admissible, do not need the care given in a hospital for the mentally sick." On the other hand, they are too disturbed to profit from the training in these open children's institutions.

Our children's institutions for juvenile delinquents are wide open. There are no bars and no walls or anything else. But a kid who is upset can't progress in that kind of environment. And for 4 or 5 years we have been trying to devise an experiment of setting up a special treatment unit for these youngsters who are not sufficiently sick to be called psychotic and yet are too disturbed to be in an open institution. The psychiatrists call them "psychopathic without psychosis." I have got to use those words, because that is what they give us.

Now, one of our voluntary institutions, which has an excellent staff, came to me about a year ago and said, "We would like to do an experiment in psychotherapy for this group. We have got a staff, and we would be willing to set aside a couple of cottages. We would make our staff available, and we would need some other staff."

There is the place, it seems to me, for the use of child-welfare-services money, for experimentation. But we can't use it, under the existing rules. Under the so-called Hill-Burton Hospital Construction Act, to show you that I am not just being critical of a Federal agency per se, under the planning money made available through the United States Public Health Service, there is great flexibility allowed to the State in getting the job done. For example, we used some of that planning money in New York State to enter into a contract with Co-

lumbia University for an economic study of our whole hospital program. That study cost, through Federal funds administered through the State, $60,000. It was done in 14 months. It is a printed volume of 341 pages or so. If we had had to do that wholly under public auspices, under State funds, it would have taken us about 3 years, and it would have cost us twice as much; because we would have had to employ, under civil-service procedure, and so forth, every single individual who worked on it, and we would have had to build up an elaborate staff. But, through a contract with Columbia University, we got the total resources of the university. If they needed a statistician, they would call on a man from their statistics department. They used men from their medical school, from their public-health school, and so on. And all we had was this one contract.

To come back to our problem of disturbed kids: If we could make a contract with a single institution to carry on a demonstration, we would buy with these funds the total resources of that institution and be able to do a good demonstration.

In summary, may I express the hope that the committee will find it possible to extend coverage, liberalize benefits realistically, and otherwise strengthen the old-age and survivors insurance system, which, from the point of view of public welfare, is basic to the country's total social-security program.

During the period in which the broadened and liberalized contributory-insurance program is becoming effective, public welfare will continue to meet the needs of people as adequately as possible. In meeting this responsibility, the State will continue to need the aid of Federal Government.

I am confident that the committee will lay down a framework of insurance and assistance programs within which the Federal Government, the States, and the localities, working together, will be able to meet effectively the problems of need that confront the American people.

Thank you, sir.

The CHAIRMAN. Any questions?

Senator KERR. One question, Mr. Lansdale. You referred to the principle that the standards of the system and eligibility requirements of the States should become more a matter of national concern.

Mr. LANSDALE. Yes, sir.

Senator KERR. What specific recommendations do you make in that connection?

Mr. LANSDALE. Well, sir, I would like to say that that problem is highlighted first, as I indicated, by the wide variation in the average grants. I am sure those are familiar to all of you. Here in old-age assistance, in October 1949, with a national average of $44.37, there was a very wide range; in many States they are only giving about $20 or $21, and then it goes on up to $60 and $66, and so on. That is on the side of the standards of assistance.

On eligibility, it seems to me that there is something wrong, or it doesn't make sense, that in a State like Louisiana there are 810 per thousand qualified persons receiving old-age assistance, whereas in New Jersey there are only 66 per thousand and 103 per thousand in New York State.

Now, on that latter point, we know there is a wide difference in the eligibility requirements, and the House committee discussed one

of these—namely, the matter of responsible relatives—and called on the Social Security Administration to make a study of that problem. And I hope they will be able to do that; because it is a factor on which there is a very great variation among the States.

Likewise, there are some States that exempt certain income; others do not. And it seems to me that we have come to the time when, if added Federal money is going to be paid out, there have got to be some efforts toward more uniformity of administrative practice among the States.

Now, it is a tough job, but it seems to me if you are going to move in, say, to pay 80 percent of the cost of assistance up to $25, with many States having an average below $25, the Federal Government needs some added powers to say something about how that money is going to be spent.

Some people will be surprised to hear me say this, because I am a State administrator and naturally have a State point of view.

On the matter of eligibility requirements, I must say that people in our State are beginning to question the large number of persons receiving old-age assistance in many of the States in relation to the number receiving assistance in another group of States. We are not prepared, sir, to make any specific suggestions as to the type of standard setting, but that is a job with which the Bureau of Public Assistance and the State agencies have had a lot of experience, and I am sure that, if we were asked to make a study jointly of the whole matter, we could come up with some suggestions.

Senator KERR. Thank you.

The CHAIRMAN. I take it, Mr. Lansdale, that you would be more favorable to the benefit formula recommended by the Council, the Advisory Council, than the provisions of H. R. 6000?

Mr. LANSDALE. You mean the amounts?

The CHAIRMAN. The amounts, yes, sir. The House did not go as far as the Social Security Council recommended and did not go along with its recommendations on benefits.

Mr. LANSDALE. My personal view on that would be: yes, we might go a little farther than the House. But I am a realist, and if we can go as far as the House has gone, it will be swell.

I do think, Senator, that it is very important to get that part through fast. I wish there were some way that that might be pulled out of all of the rest of it and acted upon; because I would hate to see that held up by some of the very serious problems involved in other parts of the bill.

The CHAIRMAN. I think there is a great deal to be said for separating old-age and survivors insurance from the pure assistance provisions. While they tie together and they are related, at the same time one may delay the other, at a time when you ought to be widening the system.

I suppose, of those excluded from coverage in New York, your farm workers and farm operators would constitute the largest single excluded class. Would that be true?

Mr. LANSDALE. I don't know whether any of my brain trust here can assist me on that. Certainly the domestic group would come about third. We are a big farm State, as you know.

The CHAIRMAN. Yes.

Mr. LANSDALE. Some people think of New York State as being made up of New York City, but we are a big farm State. The farm groups would certainly come first; but the domestic group is considerable.

The CHAIRMAN. Any further questions?

Mr. LANSDALE. If there is anything we can do, Mr. Fauri can get in touch with us, and we would be very glad to come down.

The CHAIRMAN. Thank you very much, sir.

Mr. LANSDALE. Thank you.

The CHAIRMAN. Mr. Bond?

Mr. BOND. Yes, sir.

The CHAIRMAN. You are the Commissioner of Public Welfare of the State of Mississippi?

STATEMENT OF W. F. BOND, COMMISSIONER OF PUBLIC WELFARE, STATE OF MISSISSIPPI

Mr. BOND. Yes, sir.

The CHAIRMAN. What is your residence in Mississippi?

Mr. BOND. Jackson.

The CHAIRMAN. We will be very happy to hear you, Mr. Bond, on this bill, or on any phase of it as to which you wish to speak to us.

Mr. BOND. Mr. Chairman and gentlemen of the committee:

We appreciate very much your invitation to be here today to tell you something about the public-welfare needs of Mississippi and discuss briefly what effect House Resolution 6000 will have on our situation down there. Our population of approximately 2 million persons, almost evenly divided between the two races, is largely rural—80 percent. The mechanization of our farming, together with the cotton-acreage reduction, is giving us some displaced persons of our own. Our per capita income, as everyone knows, is rather low—$758 for 1949—average farm income for 1947, a prosperous cotton-farming year, was $435. Only about one-half of our population is gainfully employed. We have every kind of tax: State, county, and district, all the way from an ad valorem tax to a black-market tax on intoxicating liquors. We were the first to have a sales tax. At one time we went so far as to put a school tax on dogs.

8.31 percent of our tax dollar goes to public welfare, and 40.31 percent to public education. Old-age assistance gets 7.91 percent of the tax dollar. These things are mentioned in order to show you something of our problem in the matter of welfare and what we have done and are doing to help ourselves, and that our best is not enough. The passage of the Federal Social Security Act 15 years ago was one of the most timely, beneficial, and far-reaching laws ever passed by our Government. Under its provisions today, we are giving help to 27,263 dependent children with an average grant of $9.77 per child, 2,678 needy blind persons at an average grant of $26.36 per month, and 62,405 needy aged with an average grant of $19 a month, ranging from $5 to $30. You will notice that these grants are amongst the lowest in the Nation; in fact, the lowest for the needy aged on an average.

Here is the kind of budget worked on every applicant for old-age assistance:

BUDGET

(1) Food and clothing, $21.50.
(2) Shelter, as paid to a maximum of $11.
(3) Light, water, and household supplies, $3.
(4) Fuel, as paid; average about $4.
(5) Burial insurance $1. (This is included because it is carried by 75 percent of the old people and is the only provision they can make for something they consider important.)

All of these items are the bare essentials and are allowed at a minimum amount of money. If the old people could be paid 100 percent of these requirements, they could receive an average of $28. A blind person's budget, which usually includes his wife, would give him $31 if paid on 100-percent basis.

If the applicant owns property whose real value is worth over $2,000 without indebtedness, he cannot qualify. If there are relatives able to help, they are expected to do so. Yet, in spite of this lean budget and these other limitations, we have on our old-age-assistance roll approximately one-half of our population over 65 years of age, drawing something like 79 percent of what they actually need, when budgets are worked on each case. We estimate that about 8,000 more needy aged and about 8,000 more needy children will qualify for assistance in the next 2 years. With the present money available, we are unable to give 100 percent to persons now on or those to be added. House Resolution 6000, as it passed the House, would be of great benefit to us, and we certainly hope that the Senate will be as generous as the House.

Another thing we like about H. R. 6000 is the provision for help to the needy when they are sick. It has almost gotten to the place where the poor can't afford to be sick and in need of a doctor's care.

For the fiscal years 1948–50, the State appropriated $10,000,000 for the Mississippi Department of Public Welfare. For the rest of this biennium the $10,000,000 we are now spending will enable us to approve all estimated eligible persons applying and pay them 79 percent of their needs in old-age assistance, 90 percent of their needs in aid to the blind, and take care of all estimated needy children within limits of $15 for first child, $10 for second child, and $5 for each additional child, which is our present State law. For the 1950–52 biennium, moneys available under the present Federal law and a State appropriation of $10,000,000 would force us to reduce drastically payments to the estimated case load or put in more restrictions to reduce case loads. However, if the provision of H. R. 6000 go into effect, we can provide for the estimated case load at the present average grants.

If, however, the State gives us an additional $2,000,000, with the provisions of H. R. 6000, we could raise the average grants to $25 for the old-age-assistance grants and $31 for aid to the blind.

We very strongly favor the increased coverage offered employed persons under provisions of this new bill. Sentiment in favor of pensions is building up fast all over the country. In fact, it is growing faster than we have had legislation to take care of the situation. If something is not done about this, it will lead to bankruptcy in some of our States and financial embarrassment to our Federal Govern-

ment. Very few people can or will save as they earn through the years, which means that they come to old age financially insecure. For that reason, every person should be made to save something out of every dollar he earns from the time he begins to earn, thus helping to create his own old-age pension which he will take pride in doing and result in a great saving to the various States and Federal Government.

The farmers of Mississippi, including the tenant farmers, when they understand what it means, will be glad to come under the provisions of the old-age and survivors insurance plan of the Federal Social Security Act. The sooner this can be done, the better it will be for all parties concerned.

Another feature we like about H. R. 6000 is the provision for general relief. Mississippi is one of the few States without a State-wide system of general relief, but if H. R. 6000 is enacted into law Mississippi will feel able to join hands with the Federal Government in giving help to the permanently disabled in need. There are not so many of these persons, but some of the most needy cases we have are between the ages of 18 and 65.

We strongly favor the increased opportunities for service to our children through our child-welfare program, provided in this new act. The care, protection, and proper upbringing of our children is our No. 1 social responsibility today.

In conclusion, may I say that Mississippi feels proud of the fact that she is a part of the greatest, finest, wealthiest, strongest, most progressive Nation of all time. Through the years, she has sent some of her finest and best sons to all the other States of the Nation where they have made good citizens. On the other hand, some of our best citizens today came from our sister States. We have sent some of our noblest and best to serve in the Senate and House of Representatives, where they have served with distinction and with credit to themselves and our country. Along with those from the other States, we have sent always more than our quota of soldiers to fight, and die, if need be, in times of great trial and trouble in order that we might preserve as a nation the freedoms given us by our forefathers. We are one Nation; and our citizens, wherever they happen to live, should have help and protection and equal advantages with others even though they happen to live in a State relatively poor. That would go a long ways to help our Nation remain great. I thank you.

The CHAIRMAN. Are there any questions?

We thank you very much, sir, for your appearance.

Mr. BOND. Thank you.

The CHAIRMAN. Dr. Lang?

You are appearing here for the North Carolina Optometric Association?

STATEMENT OF DR. GIDEON L. LANG, JR., CHAIRMAN, EXECUTIVE COMMITTEE, NORTH CAROLINA OPTOMETRIC ASSOCIATION

Dr. LANG. Yes, sir.

Mr. Chairman and distinguished members of the Senate Finance Committee, my name is Gideon L. Lang, Jr. I reside and practice

the profession of optometry in Concord, N. C., and am chairman of the executive committee of the North Carolina Optometric Association.

On behalf of the North Carolina Optometric Association I desire to present to you the facts showing the manner in which the optometrists are excluded by the North Carolina commission for the blind and the welfare departments in North Carolina, from practicing their profession in programs which are financed jointly with Federal and State funds. These programs include the care of children and adults who are in need of visual examinations and visual aids. In my State the agency that possesses the final authority in matters relating to the blind and the visually handicapped is the North Carolina commission for the blind. This agency prescribes the policy of administration and decides who are qualified to make the examinations of indigent persons but its decisions must conform to the requirements of the Federal laws and regulations. That is to say, if the North Carolina commission for the blind does not conform to the rules that are set forth in the Handbook of Public Assistance Administration, Federal funds would be withheld from North Carolina.

I should like to quote from the Biennial Report of the North Carolina State Commission for the Blind at page 10:

> The program for aid to the blind is administered locally by the county departments of public welfare, and funds expended are supplied by the county, State, and Federal Governments on a matching basis.

In substantiation of the fact that the State commission for the blind is in charge permit me to read an excerpt from a letter which I received last August from the superintendent of the department of public welfare of Cabarrus County, N. C. I quote:

> * * * The reason we have been unable to use optometrists for eye examinations has been because the State commission for the blind would not approve same for payment. Should the State commission for the blind approve payments for examinations by optometrists, we, of course, will use the service of optometrists if same were so desired by our client. We do not refer clients to specific doctors; we simply give them a 'certification of need slip' and they take same to any doctor which is recognized by the State commission for the blind, and the State commission for the blind, in turn, pays the account.

I also wrote to the State commission for the blind inquiring why optometrists could not participate in the State welfare visual program.

May I read an excerpt from the answer which I received from the executive secretary of the North Carolina State Commission for the Blind. After pointing out that section 13 of chapter 124 of the Public Laws of North Carolina of 1937 empowered, authorized and directed the North Carolina State Commission for the Blind to cooperate with the Federal Social Security Board to qualify for Federal aid or assistance to the needy blind, the letter continues:

> The Federal Security Board under the Social Security Act, has set up the regulations contained in the Handbook of Public Assistance Administration and the State law makes it mandatory that the North Carolina State Commission for the Blind comply with Federal regulations to qualify for the receipt of Federal funds.

The reference in this letter to the Handbook of Public Assistance Administration is very important. If under the present system of grants-in-aid the State government receives matching funds from the Federal Government, the interpretations of the agency of the Federal Government should not be such as to supersede a State law or permit a State agency to follow a course of fantastic interpretation.

The Handbook of Public Assistance Administration is issued by the Social Security Administration as a rule and guide to State agencies. The heading with which we are dealing is "Blindness." Its provisions are so worded that it spills over from blindness into ordinary cases of functional visual impairment which are literally handled by the millions by the optometrists of the United States. Section 3320 of the handbook reads as follows:

> The act prescribes that blindness, as a condition of eligibility, must be established for each recipient of aid to the blind. The act, however, does not define blindness. In order to assure a broad and realistic application of the provisions, the Social Security Board, on September 15, 1936, interpreted "blind individuals" to include persons having insufficient vision to perform tasks for which sight is essential, as well as persons without vision. The Board further interpreted blindness as an impairment of vision, the existence of which must be determined on the basis of an objective and functional examination of the eyes by a competent medical authority.

This last sentence of the Board interpreting blindness "as an impairment of vision" covers the huge majority of the population of these United States because any impairment, no matter how slight, would fall under this interpretation.

Section 3330 states in subdivision 4 (a):

> A signed report of an examination by an ophthalmologist or physician skilled in diseases of the eye for each application accepted for assistance or rejected on medical grounds except when both eyes of the applicant are missing. In such cases no report of an examination is required. When a report is obtained from a clinic or hospital, the signature of a person authorized to sign for the clinic or hospital meets this requirement.

Section 3352 reads as follows:

> Duties of State supervising ophthalmologist: The duties of the State supervisory ophthalmologist should be defined broadly to include such activities as:
>
> * * * * * * *
>
> 8. Assisting in planning and conducting research in which impairment of vision or services to persons with impaired vision is a factor.

From these sections an improper conclusion can be drawn that the Social Security Board interprets blindness as any impairment of vision and that such impairment can only be handled by an ophthalmologist. Every refractive error can be classed as an impairment of vision and if that be so, every person who has a refractive error falls within the administration of the blind.

The programs undertaken in North Carolina take in children and adults, indigent or not and because of the broad language of the statute and the nebulous language of the handbook, the North Carolina State Commission for the Blind blithely goes on its way of construing all cases of impairment of vision as being blind and requiring that all cases be handled by an ophthalmologist or oculist to the great detriment to the people of the State. Not only do the taxpayers suffer but the individuals receiving the examination also suffer.

There are only 21 ophthalmologists in North Carolina who have been certified by the American Board of Ophthalmology, as listed in their guide book. There are over 200 optometrists duly licensed in North Carolina. There are several millions of people in North Carolina. Dr. O'Shea has previously pointed out the qualifications, training, and functions of the optometrists.

There are about six or seven established clinics for indigents in North Carolina that are manned one or two afternoons a week by

ophthalmologists. Indigents are referred to these scattered clinics and in the event that there is too long a wait, in some cases a local eye, ear, nose, and throat physician may perform the refraction even though he is not a certified ophthalmologist. It does not seem reasonable that indigent persons or others should be required to travel long distances to scattered eye clinics wasting their own time and taxpayers' money when there are duly licensed and qualified optometrists all over the State, and in practically every county.

It does not seem either democratic or logical that these professional optometrists who have had education exclusively designed to fit them to give visual care, should be required to stand aside in the care of indigents and yet be allowed and authorized by State law to practice if the individual is able to pay. As a matter of fact, the optometrists in North Carolina as in the rest of the country recognize their social responsibility and there are many, many indigent cases which receive attention who never go through welfare channels but who are cared for by optometrists who willingly contribute their services when necessary.

In Avery County an indigent person must travel to Asheville for a visual examination, a distance of 75 miles, while there is a professional optometrist well-trained, close at hand. In Rockingham County, the distance traveled varies from 20 to 40 miles, yet there is a fully qualified professional optometrist right in the county seat. In Montgomery County with two optometrists in the county seat, the indigent is transported at taxpayers' expense either to the Variety Clinic in Charlotte, a distance of 65 miles, or to Duke Hospital Clinic, a distance of 94 miles, or to Winston-Salem Baptist Hospital Clinic, a distance of 64 miles. These statements are not my own, gentlemen. I have the original signed reports or statements of the welfare superintendents of those counties. They state that they have to do that.

I could continue giving you illustration after illustration. Thousands of miles per year are needlessly traveled by our indigents when there are competent optometrists right at their elbows. And, may I respectfully repeat to you gentlemen, that these persons are not blind. They merely have refractive errors.

If an indigent person is not sent to a clinic, there is another way of caring for them in North Carolina and that is through the use of mass clinics. The blind commission sends a physician who has some training in refraction and a case worker to a specified community. A 1- or 2-day clinic is set up with examinations held in the courthouse, a school basement, or any available space they can find. From 30 to 40 children are lined up and given an eye examination by this physician furnished by the blind commission. Some may need glasses and some may not. For those who do, there is a representative of an optical supply house waiting to measure the children's faces for glasses and take the prescriptions. I have with me copies of four newspaper articles. They show the number of people examined in these mass clinics. The clipping from Richmond County states that during a 2-day blind commission clinic, 39 persons—28 adults and 11 school children—were examined the first day and the optical-company representative measured 24 for glasses. The second day, 52 school children were examined, 23 of them being measured for glasses. Ninety-one examinations during 2 days by one physician examining. Gentlemen, this is a disgrace for it is physically impossible to give anything which

resembles a decent examination in such wholesale quantities. I might mention to you that I served as an optometrist in the Medical Corps during the war. I might further add that at the beginning of my term of service I was informed at the station hospital to which I was assigned by my superior officer that it is better to conduct an accurate examination and do fewer of them, than to do many of them and have them not wear their glasses. Now, under the most pressing conditions of war we were never required to refract and prescribe for over 15 to 18 a day.

Another clipping shows that during a 2-day clinic, in Sylvia, N. C., 66 people were examined, and in Moore County, 72 were examined with 50 receiving glasses in a 2-day clinic. All these by one man: Another clipping states that a similar clinic will be held this coming spring inviting anybody, and I quote: "to arrange to have his eyesight checked without cost." The clipping states "with incidental expenses to be met by the blind commission." I do not wish to give the slightest impression that the optometrists of North Carolina are against holding a free clinic if the taxpayers are willing to pay the expenses, whether the recipient is in need or not. But what we do strenuously object to is the perverted interpretation of the Social Security Board's handbook which permits anybody and everybody to fall within the category of blind or partially blind, thereby preventing the public of our State from receiving the services of optometrists, which services these optometrists are especially qualified to furnish.

We respectfully ask you to consider these points. Optometrists serve better than 70 percent of the people in these United States who require visual care. This huge majority seeks our services voluntarily. North Carolina, like every other State, examines and licenses optometrists to render these services. The Social Security Board, by direct statement or interpretations of rule can superimpose its will upon the States and can withhold Federal funds from our State if optometrists are used to make the examinations. Consider the unnecessary travel and the extra cost to the taxpayer.

May I also point out the fact that the optical laboratory mails the glasses which it compounded without verification by the prescriber and there is seldom an adjustment of the glasses to the patient's face. When the patient gets these glasses, which have to be fitted, he invariably goes to the local optometrist who cheerfully and voluntarily renders this service. Optical laboratories are not infallible. Numerous errors are made. No prescription should be delivered to a patient until first carefully checked by a refractionist.

That this matter has gone far beyond the blind for whom article 10 of the social security laws were originally written is indicated by the report of the North Carolina Blind Commission which states that in the 2-year period from July 1, 1946, to June 30, 1948, 17,613 persons were examined by ophthalmologists. Of this number 9,528 were furnished glasses—2,094 were given medical eye treatment. Therefore, 15,529 persons required no medical eye care. These people are obviously not blind persons. Whether they wished it or not, they were not permitted to have the services of optometrists.

We optometrists of North Carolina very earnestly feel that we should be permitted to perform our professional duties of refraction for which the State licensed us without interference and that we should be privileged to serve the patient whether he is able to pay or whether

he is indigent. In making this statement I reiterate that we optometrists are not desirous of practicing ophthalmology but we do want the right to practice our own profession. Optometry is the first line of defense in the prevention of blindness. Seventy out of every one hundred patients come to consult us. The moment our examination discloses a pathological condition, we refer the patient for other professional care.

I might mention to you, gentlemen, that just in order to check that I requested a number of my fellow optometrists in the State of North Carolina to send me case reports, reports signed by ophthalmologists in North Carolina, on patients who had been referred by the optometrists. These cases that they sent in are here for your observation if you desire, and they range from minor disease to glaucoma and brain tumors.

Gentlemen, I desire to remind you of the research in vision. In our own State of North Carolina, the North Carolina Optometric Society has granted to the North Carolina State College a sizable grant to investigate problems in vision, and this research is moving into its second year. There are colleges and universities all over America making investigations into the mysteries of vision, and sponsored by the profession most concerned with vision—the profession of optometry.

We do not desire to take away any functions or supersede the ophthalmologist. We do, however, most seriously urge the amendment which will prevent improper rules or improper interpretation so that optometrists may freely practice their profession in the State of North Carolina and elsewhere in these United States.

Thank you.

The CHAIRMAN. Doctor, let me ask you: Is not the decision of the North Carolina Blind Commission to provide free clinics for children in various communities in the State a function of the State? Is it not something that the State itself is doing?

Dr. LANG. Senator, I would like to refer you back to page 1 and quote from the biennial report of the North Carolina State Commission for the Blind:

> The program for aid to the blind is administered locally by the county departments of public welfare, and funds expended are supplied by the county, State, and Federal Governments on a matching basis.

I put that question to the executive secretary of the commission for the blind, and he stated that we could not work in the clinics, we could not work with the indigent, until the Federal rules and regulations allowed us to do so. Does that answer your question, sir?

The CHAIRMAN. Well, I was thinking that if your commission did use optometrists for these examinations and for the mechanical treatment that you give to relieve visual defects, there is a question whether the Federal Board would approve it. Do you know whether there is any Federal law or regulation that would preclude it?

Dr. LANG. Nothing, sir, except the Federal Social Security Handbook of Public Assistance Administration, to my knowledge.

The CHAIRMAN. And your welfare people go by that?

Dr. LANG. Yes, sir. And the amendment we are concerned with would allow the blind commission in North Carolina to employ them.

The CHAIRMAN. So you would want the provision in H. R. 6000 included, carried in the bill?

Dr. LANG. As Dr. O'Shea quoted it, yes.

Senator KERR. I take it that his position is this: He does not ask a provision of the law to compel the commission for the blind in North Carolina to use the services of duly licensed optometrists, but to permit it. Or the absence of language which would forbid it.

The CHAIRMAN. Is that correct?

Dr. LANG. I think so, sir.

The CHAIRMAN. Are there any further questions?

Thank you very much, Doctor, for your appearance here.

Dr. LANG. Thank you.

(The following statement was later submitted by Dr. Lang:)

SUPPLEMENTAL STATEMENT OF DR. GIDEON L. LANG, JR.

The whole manner in which the blind commission has discriminated against optometry in North Carolina has been confusing, and it has been difficult to really ascertain the exact vehicle used in placing of responsibility in the Federal rules and regulations.

Since Dr. Foote made his statements concerning the number of people actually examined and paid for out of Federal funds, it comes to light apparently the North Carolina Commission for the Blind uses the interpretation of the Handbook of Public Assistance Administration to discriminate against us. It is apparent that the North Carolina Commission for the Blind assumes that every person applying for aid to the blind, is really blind, as defined under section 3351. In assuming that every person is blind, naturally the commission may not know who would pay for the examinations or services to the individual involved—Federal or State. To insure that the individual would meet the requirements of the Federal Handbook of Public Assistance Administration, section 3330 is followed, that 'a, a physician skilled in diseases of the eye is necessary to sign the report. If the person is really blind (as defined in sec. 3351) then matching funds would be used for examinations, but if the examiner found that the person was not really blind, then State funds would be used to pay for the examination. The whole matter of discrimination hinges on the contention that the North Carolina Blind Commission has found a Federal rule to accept the blame for its discrimination against optometry. We know that we are not allowed to participate in any of the programs dealing with visual examination, or rehabilitation of vision in the welfare program. By including the amendment as presented by the statement of Dr. O'Shea, the North Carolina Blind Commission would have to assume the responsibility of any discrimination against the profession of optometry, rather than to rely upon the blame being placed on interpretation of the Federal rules and regulations.

The CHAIRMAN. Mr. A. L. Archibald?

Mr. ARCHIBALD. Yes, sir.

The CHAIRMAN. You are representing the National Federation of the Blind?

STATEMENT OF A. L. ARCHIBALD, NATIONAL FEDERATION OF THE BLIND

Mr. ARCHIBALD. Yes, sir; the National Federation of the Blind. Our national headquarters is located at 2652 Chasta Road, Berkeley, Calif.; and the Washington address is the Hotel Continental.

The National Federation of the Blind is a Nation-wide organization of blind people exclusively. It has State affiliates, State-wide organizations of the blind, in 28 States, from the Atlantic to the Pacific; and total national membership of about, in round numbers, 40,000 blind people out of the more than a quarter million blind people in the Nation.

The national federation is an organization which is devoted to the mutual aid of blind people, the education of the public as to the capac-

ities of the blind, and the development of widespread economic opportunities for blind persons.

I have come here today to talk about certain aspects of title X of the Social Security Act. The broad philosophy of the national federation is, first of all, to give blind people what they must have, namely, security; and from that point to go forward to gain general economic opportunity and equal treatment under the law.

The blind are characterized generally as young people, that is, people who are just coming to adulthood or are in the middle years of life. The majority of blind people, recent statistics have brought to light, are in the productive years of life.

The blind generally wish nothing more than to help themselves to economic self-support; yet, owing to general preconceptions of their incapacities, and owing to certain provisions of law, they are in many ways systematically excluded from economic opportunities.

Where blind people are successful is in that field where they can operate independently in enterprises of their own, or as salesmen, where they are largely dependent upon their initiative, their enterprise, and upon themselves.

Title X of the Social Security Act, when first passed, was a godsend to the blind of the country. It was hailed from one shore to the other as the Magna Carta for the Nation's blind; because it gave Federal assistance and caused to come into existence in each State a program of aid to the blind, broad aid to the blind, whereby the real needs and the special needs of the blind could be met, could be fulfilled, and a broad basis of security granted which would enable the blind themselves to become more independent.

This did not last long, however, because in 1939, 3 years after the law went into effect, the Congress adopted an amendment which related to the aged and did not concern the blind directly, except that at the last moment it was put into title X. This amendment is clause 8 of title X, which requires that State plans must, in determining need, take into consideration all other income and resources of an individual claiming aid to the blind.

The result of this amendment was the destruction of several very excellent State programs. It resulted also in the denial of Federal assistance to two States, who refused to accept this formula, namely, Pennsylvania and Missouri. The blind in these States have asked their legislatures to hold the line against this depredation of their State plan and to maintain that broad security which is so necessary to the blind.

Now, I would like to state what this general security is, what the philosophy of the blind people themselves with respect to it is, and how these various provisions of law affect them.

First of all, a system which gives genuine security to the blind is one which maximizes their self-respect. It has something to do with this matter of human dignity and self-reliance, self-respect, and independence. Any system which robs an individual of incentive, of the power of initiative, which prevents him from helping himself, is not a good one and is not in the American tradition.

We believe in a system which lays down, under a rule of law, certain definite specified eligibility requirements; that these should be, broadly speaking, that a person is blind within the legal meaning of blindness, that he fulfills the residence requirements of a State, if any, that his property, real and/or personal, is less than a certain amount,

and that his income, his aggregate net income, is less than a certain amount.

These should be set forth in statutory form. So that every individual blind person himself can determine whether he is eligible. And every blind person who meets these eligibility circumstances should be automatically granted aid. Of course, he must supply proof of his eligibility, and of course he should be prosecuted if fraud is committed.

We ask that the income and resources, certain income and resources, of an individual should be exempted from consideration, for several reasons. First of all, the present act results in the systematic pauperization of blind people. The numbers of blind people receiving public assistance are growing throughout the country. They are growing because public aid does not come to the blind at an early enough stage to do them real benefit. They are forced to use up all of their income and resources, convert considerable amounts of their holdings of personal property and real property into cash and use them up on themselves, before they become eligible.

Imagine what happens to a blind person, a newly blind person, a man with a wife and children, who loses his sight. He does everything at first, in the futile attempt to regain his vision. His doctor's bills and hospital bills are high. He uses his resources in supporting his family.

Eventually he is dependent on his friends and the rest of his family. When those resources are exhausted, he has no alternative but to go to public aid. Then he is faced with the position that if he makes any efforts to become self-supporting, if he goes out and endeavors to earn any money, he is automatically penalized by having one dollar taken off his aid for every dollar that he earns. If the law provided that aid would be made available to a blind person before he lost all his resources, he could adjust to blindness and could undertake the job of reconstructing his own life in a much better way.

Now, this is not theory on our part. The law existed in that way in several States. It does exist that way in two States today, and partially in two others. The States of Pennsylvania and Missouri, which receive no Federal funds, exempt certain amounts of income and property and grant aid to all persons who are residents and blind who meet those conditions. The blind in those States have benefited from it greatly. Many of them have been able to work themselves off aid. The statistics are not fully complete. I can't tell you exactly how many of those in Pennsylvania, for example, were on public aid, who became independent; but rehabilitation authorities in the State report that about 800 blind persons, many of them recipients of public assistance, came to self-support in the last fiscal year.

In the State of California and in the State of Washington there are separate State laws of this same type making no provision for the receiving of Federal reimbursement—aid to partially supporting blind persons, it is called—and in California this has been carried on as a strict experiment to demonstrate the value of exempting income and property from consideration. The statistics are very complete there, and as to the blind person the eligibility provisions are in some ways rather strict, so that it is not broadly made available to the blind, but out of the number of nearly a thousand who have been able to take advantage of the program, 20 percent have become

totally self-supporting in the period of 6 years of the operation of the plan.

Now, what is needed is this kind of broad plan for the blind. And yet, by the interpretations placed upon clause 8 of title X by the Social Security Administration, no State is able to exempt any income from consideration. We have conducted a long and strenuous test the blind people of the country have to bring to the attention of Congress this very serious problem, in the eyes of the blind, and to obtain remedial legislation.

We think that aid ought to be applied under a rule of law rather than under the rule of individual budgeting by a budgetary deficiency method, and that it should be set forth in statutory form exactly as you do in the case of tariff laws or parity legislation for the farmer, or anything else.

In the case of a tariff, for example, you don't lay down a rule that an administrator can take into consideration the various cost factors or the various market factors of one particular firm as against another firm. You state that there will be a certain tariff on a certain product. And this is applicable to all of the firms who produce in that field. This is the rule of law.

In parity legislation, certainly all farmers who are producing a certain product are entitled to the protection of a certain price. Their costs differ, their individual situations differ, in very great measure. But the rule of law is applied to them. However, it is not applied in the case of the blind. There are individual discriminations all down the line, under the application of the present law, and we feel that this ought to be changed and that the States ought to be allowed in this connection to set up in statutory form their specified exemptions of income.

Now, the present bill before you, H. R. 6000, does provide a slight, a very slight, liberalization in clause 8.

But we blind people believe it is a very unsatisfactory liberalization as such.

For the purpose of the record, to have it before you, I would like to read this into the record. It is section 341 of the bill, subsection (o) (2):

Effective July 1, 1951, such clause (8) is amended to read as follows:
"(8) provide that the State agency shall, in determining need, take into consideration the special expenses arising from blindness"

incidentally, that provision we highly approve of. And (continuing reading:)

"and any other income and resources of the individual claiming aid to the blind; except that, in determining need, the State agency (A) shall not consider any income or resources which are not predictable or are not actually available to the individual,"——

also we approve of that provision very highly. It is something definitely desirable. Going on with the clause:

"and (B) may disregard such amount of earned income, not to exceed $50 per month, as the State agency, administering that part of the State plan of vocational rehabilitation (approved under the Vocational Rehabilitation Act) which relates to vocational rehabilitation of the blind, certifies will serve to encourage or assist"——

I would like you to pay attention to this language——

"will serve to encourage or assist the blind to prepare for, engage in, or to continue to engage in remunerative employment to the maximum extent practicable."

Now, what does the last part of that clause mean? If anybody can tell me definitely, I would very much appreciate knowing. There seem to be very contrary interpretations. I don't know what the intent of the House was.

This language gained some nominal approval of the National Federation of the Blind, along with the American Association of Workers for the Blind and the American Foundation for the Blind, last March, before the Ways and Means Committee, when, at that time, we thought that this meant that the State Vocational Rehabilitation Agency could certify to a State department of social welfare that it would help, it would serve to encourage and assist, all blind people receiving public assistance to be able to earn $50 per month. However, since that time, we have discovered, certainly, that there are a few States, three States definitely, which would not be able to benefit from this at all, namely, Maine, Massachusetts, and Nevada, because they do not have such State plans for vocational rehabilitation of the blind. There would be no certifying agency therefor. The blind in these States would not be able to derive benefit from this part of the bill.

Moreover, we, in a note, stated to the House Ways and Means Committee that we felt this language did not contemplate the individual certification of blind persons, that it should be a group certification. But only 2 days ago the chairman of the Legislative Committee of the National Federation of the Blind was informed by the Chief of the Bureau of Public Assistance that the Bureau would not tolerate any such notion as that. In other words, by rule and regulation we are on notice that we are likely to have this very precious thing which we have fought so long to get pared down. We feel that not only is there the danger that there will be individual certification; that this will require either the hiring of numbers of additional rehabilitation officers to make such investigations and determinations; but it will be impossible, in States where they are short-handed. We feel that such certifications by some nonunderstanding individuals, amount to much less than $50 per month in individual cases, and that in general this will not work out with this proviso to the satisfaction of the blind or of the people who are working in the field of promoting the general welfare and economic opportunities of the blind.

So, first of all, the very least that we ask you to do is to remove this last proviso in the amendment to clause (8) of section 1002 (a) of the Social Security Act, namely, the part where a certification is required by a rehabilitation agency. This is not necessary. After all, what is congressional intent in this regard? If it is the intent of Congress that the recipients of public aid are to be able to earn $50 per month, then it should be set forth in the law and not left to an administrative determination. We feel that this should be made absolutely clear, and no questions should be left open.

Every person receiving public assistance ought automatically to have this. Fifty dollars a month, or the earning of any money, is its own encouragement. This does not have to be certified by a public official. Moreover, it increases the independence of the blind person and frees him from possible distortions by unknowing or unwilling or petty officers, as we all know sometimes exist.

Our most urgent desire, however, is that you will give favorable consideration to a bill which is before the committee, introduced by

Senators McGrath, Ives, and Wagner, numbered S. 2066. This is a bill which provides mandatory minimum exemptions of income and resources upon the States, provides for a minimum exempt income in each State of $500 per annum and minimum exempt resources of $2,000, real and/or personal property, assessed valuation.

This has long been the real goal of the blind. This bill generally, in its broad terms, states the objectives of not only the National Federation of the Blind but all of the other agencies serving the blind, which are in the American Association of Workers for the Blind, and of the American Foundation of the Blind for the blind itself.

Last year, in a statement, a joint statement, to the House Ways and Means Committee, which is printed in their hearings—and we recommend your attention to that statement—we submitted some alternative proposals, which were directly agreed upon, to the committee. The first preference is for a mandatory exemption of income.

I have a memorandum before you, which I asked the clerk to give to each member, which states those alternatives.

The CHAIRMAN. We have it available here, sir.

Mr. ARCHIBALD. The first preference is for a mandatory minimum exemption of income and resources. But if not, then we ask that you at least go so far as to permit the States to have the right to determine that amount of income and resources which an individual might possess and be eligible, or that amount which would render him ineligible.

This would enable those States which feel that they are able to go ahead in the development of this program to experiment and to determine what is the best standard, means, for obtaining a better all-around program, a better security, a more genuine security, and interweaving into it a real program of rehabilitation and economic opportunity for blind persons. It would also enable the two States, Pennsylvania and Missouri, which do not now receive Federal reimbursements, to get them without changing their law, and would remove this terrible threat which the blind people in those States feel hangs upon them.

These, I reiterate, are our real desires. We hope that you will give them thorough and genuine consideration. But at the very minimum we ask that you amend this clause (8) as it is amended in H. R. 6000, by removing that last qualifier on the clause, namely, that it is required that the State rehabilitation agency certify that this will serve to encourage or assist the blind. We think that it is ridiculous to have it there, and we very much hope that you will give to every recipient of the blind at least the automatic right to earn up to $50 a month without being penalized for that effort.

Thank you very much, Mr. Chairman and gentlemen.

The CHAIRMAN. We thank you very much; and your recommendations will be most carefully considered by the committee.

We will also consider the bill to which you have referred, S. 2066, as in the nature of an amendment, when we come to finally write up this bill.

Thank you very much for your appearance.

(S. 2066 and the suggested alternative amendments to clause (8) of section 1002 (a) of the Social Security Act are as follows:)

[S. 2066 81st Cong., 1st sess.]

A BILL To amend title X of the Social Security Act, as amended, so as to provide for the encouragement and stimulation of aid to the blind recipients to become wholly or partially self supporting

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of section 1001 of the Social Security Act, as amended (U. S. C., 1946 edition, title 42, sec. 1201), is hereby amended by inserting after "to needy individuals who are blind," the following: "and for the purpose of encouraging and stimulating blind individuals to become wholly or partially self-supporting,".

SEC. 2. Section 1002 (a) (8) of the Social Security Act, as amended (U. S. C., 1946 edition, title 42, sec. 1202 (a) (8)), is hereby amended to read as follows: "(8) provide tot the State agency shall, in determining eligibility, take into consideration only such other income and resources as are consequential and actually available to the individual claiming aid to the blind, except that at least $500 per annum of such individual's aggregate net income from all other sources shall be excluded from consideration as income, and except further that at least $2,000 assessed valuation, less all encumbrances, of such individual's real and/or personal property shall be excluded from consideration as resources;".

SEC. 3. Title X of the Social Security Act, as amended, is hereby amended by adding at the end thereof the following new section:

"AUTHORITY RESERVED TO THE STATES

"SEC. 1007. Each State shall have the sole authority to determine how much other income and resources an applicant for or a recipient of aid to the blind may possess in order to be eligible for such aid; except that no State may consider as income or resources (1) income or resources which are not consequential or actually available to the individual claiming aid to the blind; (2) at least $500 per annum of such individual's aggregate net income from all other sources; (3) at least $2,000 assessed valuation, less all encumbrances, of such individual's real and/or personal property."

SEC. 4. Sections 2 and 3 of this Act shall take effect on July 1, 1949.

SUGGESTED ALTERNATIVE AMENDMENTS TO CLAUSE (8) OF SECTION 1002 (A) OF THE SOCIAL SECURITY ACT SUBMITTED BY A. L. ARCHIBALD, EXECUTIVE DIRECTOR NATIONAL FEDERATION OF THE BLIND

1. The National Federation of the Blind supports unqualifiedly S. 2066.

2. The following alternative amendments were agreed upon jointly by the National Federation of the Blind, the American Association of Workers for the Blind, and the American Foundation for the Blind, in March 1949, and jointly submitted to the House Ways and Means Committee in order of their preference as below:

(*a*) "(8) provide that the State agency shall, in determining need and/or eligibility, take into consideration the special expenses arising from blindness, and only such income and resources as are consequential and actually available to the individual claiming aid to the blind: *Provided*, that at least $600 per annum of such individual's aggregate net income from all other sources shall be excluded from consideration as income, except income derived as a beneficiary under other parts of this act; *and further provided*, that at least $2,500 normal market value, less all encumbrances, of such individual's property shall be excluded from consideration as resources.

(*b*) "(8) provide that the State agency shall, in determining need and/or eligibility, take into consideration the special expenses arising from blindness, and only such income and resources as are consequential and actually available to the individual claiming aid to the blind: *Provided*, that each State shall have the right to establish the amounts of income and resources of an individual which make him ineligible for aid to the blind under the plan."

The CHAIRMAN. Dr. Franklin M. Foote?

Doctor, you may have a seat, please, sir.

STATEMENT OF DR. FRANKLIN M. FOOTE, NORTH PELHAM, N. Y., EXECUTIVE DIRECTOR, NATIONAL SOCIETY FOR THE PREVENTION OF BLINDNESS

Dr. FOOTE. Thank you.

My name is Franklin M. Foote. I reside in North Pelham, N. Y. Although I am a medical doctor, I am not an ophthalmologist nor an oculist nor an optometrist. Up until 3 years ago, my whole professional life was in the field of general public-health work. For the last 3 years I have been with the National Society for the Prevention of Blindness.

I appreciate the opportunity to discuss the section of H. R. 6000 pertaining to aid to the needy blind. It is quite apparent that there is some confusion about for whom the aid to the needy blind is intended.

For the past 14 years, since February 1936, under title X of the Social Security Act, an excellent but unpublicized program of medical care and sight restoration for the needy blind has been carried on. This program has been effective because of the farseeing regulations set up in administering title X, which encourage States to make provision not only for monthly payments to the needy blind but also for treatment to arrest the progress of eye disease and to preserve or even restore sight.

This excellent program now is jeopardized by the proposed amendment in H. R. 6000, section 341 (d), which would provide 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. It is the provision permitting the examination to be made by an optometrist which endangers the treatment and sight-restoration program.

For large numbers of the needy blind the only opportunity for a complete eye examination is when such examination is arranged in the State programs providing aid to the needy blind. It should be noted that section 1006 of H. R. 6000 wisely defines aid to the blind as "money payments to or medical care in behalf of blind individuals who are needy * * *." This means that, in determining eligibility of a man or woman the examiner must determine the medical cause of blindness and whether the individual can benefit from medical or surgical treatment.

It has been possible to obtain from a few States reports on the results of the treatment programs which have benefited individuals by restoring some or all of their eyesight and enabling them to go back to work, producing tremendous economic savings both to the Federal and State Governments.

In Kansas, for example, it was reported that in the State program from August 1937 to November 1947 there were 1,833 blind persons for whom some kind of medical or surgical treatment had been recommended. Of this group 1,159 completed treatment; and 727 had had sufficient improvement to be removed from the blind category.

In the State of Tennessee, during the period from August 21, 1943, through December 31, 1949, the vision of 452 individuals was restored by medical or surgical treatment. Had these 452 persons been placed on the blind register for 1 year the cost in Tennessee, where the average monthly payment in pensions to the needy blind is $36.62,

would have been $198,626.88 each year. These Tennessee figures do not include any persons whose vision was improved by glasses alone.

The State of Ohio reports that from 1938 to 1949 a total of 1,487 persons, through medical treatment or surgery, have had their visual acuity restored to better than 20/70 vision. This figure does not include any persons whose vision was improved by glasses alone.

In the State of Washington, a report on cataract surgery alone during a 4-year period reveals that for this single cause of blindness 117 blind individuals had surgery. Of the 117, 91 had had sufficient sight restored after surgery to lift them out of the blind category; and many of them had essentially normal vision with correction.

In the State of California, in the single year 1948, 128 men and women had surgery for cataracts. Of this number, 105 had sufficient vision restored to classify them as seeing persons; and 6 had considerable improvement in vision although still coming under the blind classification.

In the State of Illinois, during a 3¼-year period, 1943–47, 235 of the needy blind had surgery alone as the recommended treatment. Of these persons, 166 had sufficient sight restored to be lifted out of the category of blindness.

The foregoing facts are submitted to demonstrate the value of having an accurate diagnosis of the cause of blindness and the best possible recommendation as to hope for improvement after medical or surgical treatment. This diagnosis was made possible because every one of the individuals applying for aid to the blind under the Federal program was required to have a complete medical eye examination.

Now, the question raised this morning was: Could these results be achieved if the examination were made by an optometrist? In the memorandum submitted to the Committee on Ways and Means of the House of Representatives last summer by William P. MacCracken, Jr., attorney for the Department of National Affairs of the American Optometric Association, optometrists are declared to be specialists with regard to those seeking eye care who require only glasses or visual training. In a publication of the public health bureau of the American Optometric Association, Pittsburgh, Pa., two pertinent definitions are given as follows:

> The optometrist specializes in refraction of the eye. He makes a careful visual analysis, and, when refractive errors are noted, he prescribes glasses, vision training, or both, to bring the vision to as near normal as possible. The optometrist is trained to detect diseases of the eye, and when they are present he refers the patient to the proper practitioner, who is—
>
> The ophthalmologist, a physician who specializes in the study and treatment of defects and diseases of the eye.

It is clear, then, from the statements of the two representatives of the optometric profession this morning, that an optometrist would wish to refer every individual suffering from eye disease or injury to a physician skilled in diseases of the eye. In fact, Dr. Lang this morning reported that he had in his hands several reports of cases where such individuals had actually been referred, in private practice in North Carolina. In a report, Causes of Blindness Among Recipients of Aid to the Blind, published by the Government Printing Office in 1947, there is a master table giving the causes of blindness among a total of 20,591 of the needy blind in 20 States in which there is Federal participation. Of this group, blindness in 10 percent was due to

injury; in 86 percent, to specific eye diseases, which are listed in the table—and there are over 200 of them—and in only 4 percent to optical defects, the kind of condition which the optometrists are licensed by State law to take care of. However, even when one studies this group of 3.4 percent of the needy blind with optical defects, whose vision in the better eye after correction, even after providing glasses, medical treatment, or surgical treatment, was still only 20/200 or worse—which, incidentally, is the same definition accepted by the Bureau of Internal Revenue for income-tax purposes and is essentially the definition used in every one of the 48 States, including North Carolina—almost all of them, if not all, have this optical defect in association with some pathological condition. Almost all of this 3.4 percent are blind from a very high degree of nearsightedness associated with such conditions as inflammation of the tissues of the eye, dislocation of the lens, tears or detachment of the retina. In the classification used by the Federal Security Agency—and incidentally, it is the accepted classification—when these pathological conditions are associated with a very high degree of nearsightedness the condition is classified as an optical defect or refractive error, for the sake of easy classification. And I repeat: This amounts to only 3.4 percent of the total.

It is obvious, therefore, that every individual in the group of the needy blind, under title X, would have to be seen by a "physician skilled in diseases of the eye," as well as by an optometrist, if the latter were permitted to examine with regard to the degree of vision. Thus, the number of examinations and the cost of the program would be doubled, or else the sight-restoration program would be seriously crippled; and we fear that the latter would be the case. On the other hand, if there is a feeling that the initial examination is simply to be a test of the degree of vision, not only physicians skilled in diseases of the eye and optometrists might be permitted to do this, but any licensed physician who can use a vision-test chart, or a school nurse, or any other individual who knows how to give a test of vision. That a much more thorough eye examination is actually required is shown by some of the forms used in several States, which I have appended, as a collection, to this statement, used by those administering aid to needy blind persons. Marked in red pencil are the portions which the optometrist might find difficult or impossible to fill in. In some cases as a part of the examination of the blind, the State requires taking the blood pressure, taking a urinalysis, since some blindness is caused by diabetes, and in some cases a blood test for syphilis is required, since about 15 percent of all blindness is due to syphilis.

These things, of course, the optometrist could not do; neither could the school nurse nor the other individual giving the test for vision.

After studying the statements made by the representatives of the American Optometric Association, including Dr. O'Shea and Dr. Lang, this morning, I am convinced that the optometrists actually are not seeking responsibility for making a differential diagnosis as to the medical cause of blindness or for determining appropriate medical or surgical treatment. It is my understanding that optometrists are solely concerned with programs in which individuals with optical defects short of blindness are given eye examination and glasses. Such programs happen to be administered in certain States—and North Carolina was mentioned this morning as one—by the same

agency, the Commission for the Blind of North Carolina, which administers the aid-to-the-blind program under title X of the Social Security Act. However, there is nothing in Federal legislation nor in the administrative regulations of the Federal Security Agency stating that these other programs must also meet the requirements of the title X program. And I am sure that if the Director of the Commission for the Blind, to whom Dr. Lang referred this morning, wrote to the Federal Security Agency asking whether in these school eye-examination programs optometrists might be used, he would learn that this procedure would not jeopardize the million and a half dollars or so that North Carolina gets from the Federal Government in matching funds.

As a matter of fact, Dr. Lang mentioned this morning—and I think I am quoting correctly—that 17,000 school children in 1 year had eye examinations in the North Carolina program, and that 9,000 received glasses in 1948. That these are not part of the title X program is shown by the report of the same commission for the fiscal year ending June 30, 1948, stating that there were only 1,021 applications for aid to the blind, in which examinations were paid for by matching funds under the title X program. And for the fiscal year ending in 1949 the number was 1,187, certainly far lower than the 17,000 quoted by Dr. Lang as the total North Carolina program.

Apparently a large part of Dr. Lang's discussion refers to school children, since he reported that in 1 community 91 were given glasses in 2 days, and in another community 50 got glasses in 2 days, from an eye, ear, nose, and throat doctor, under the commission-for-the-blind program.

Actually, in the State of North Carolina, in the fiscal year ending in 1948, there were only 21 children accepted under the aid-to-the-needy-blind program under 15 years of age. These were actually blind children, and they are the only ones to whom grants were made from Federal funds for eye examinations or any kind of eye treatment. And that would be for medical or surgical treatment, as well as the provision of glasses where they might be needed. But that is only 21 children in a year, which is quite different from 9,000 or 17,000.

It is quite evident, then, that what the representatives of the American Optometric Association are talking about is an entirely different program from the title X program, which deals only with the blind. The blind lose their vision almost always from either disease or injury to the eye, and only extremely rarely from any condition that could be entirely corrected by glasses. In some States, it is true, this additional eye program is administered by the same State agency administering the title X program; but this is no reason to change the Federal law concerning the title X program.

Because the amendment which was passed by the House in H. R. 6000 so seriously threatens existing successful programs to preserve and restore sight to the needy blind, the board of directors of the National Society for the Prevention of Blindness, an incorporated nonprofit, nonsectarian, voluntary public-health agency, urge that the phrase "or by an optometrist," be deleted from H. R. 6000, section 341 (d) (10), line 12, page 182.

In section 343 of H. R. 6000, although provision is made for a slight increase in Federal matching funds for financial assistance to the blind,

we regret to note that no provision is made for funds for medical or surgical care to extend the sight-restoration programs previously discussed. Commissioner Lansdale, of New York, this morning mentioned the need for Federal matching funds for general medical-care programs, and the same need should be emphasized for these medical-aid programs for the needy blind. Sight restoration, or sight preservation, would help greatly in taking people off the blind rolls and keeping them from getting on there. And only a few States, from whom I quoted figures this morning, have fairly good programs along this line. Many States have none at all, because they receive no Federal matching funds for this purpose.

The original House bill, 2892, introduced in the first session of the Eightieth Congress, in section 1408, did include provision for matching funds for such medical assistance. Attention of the Senate Finance Committee, therefore, is invited to this omission in H. R. 6000.

The CHAIRMAN. Are there any questions?

Do you have anything further, Doctor?

Dr. FOOTE. This morning, Dr. O'Shea offered an amendment to H. R. 6000, and we would, I think, go along with that amendment although we think it is unnecessary. We would go along with it, provided there are retained lines 10 and 11 on page 182:

> That, in determining whether an individual is blind, there shall be an examination by a physician skilled in diseases of the eye—period,

deleting the words "or by an optometrist," and then adding the amendment which Dr. O'Shea proposed in place of that whole section 10. It would apparently clarify it from their point of view, so that optometrists would not be excluded, and yet it would continue to require that the original examination of the blind individuals be made by a physician skilled in diseases of the eye.

The CHAIRMAN. Doctor, we thank you for your appearance here. We thank you for coming down and talking to us on this very important question that is here before us.

I believe that competes the list of the witnesses called for the morning, but I would like to offer for the record a statement by Edward P. Reidy, director of the State Department of Social Welfare of Rhode Island, Providence, R. I.

Mr. Reidy is unable to appear, and he asks that this telegram be incorporated in the record as his statement upon social-security matters.

(The statement referred to follows:)

PROVIDENCE, R. I., *January 25, 1950.*

Senator WALTER J. GEORGE,
Chairman, Senate Finance Committee, Washington, D. C.:

Regret impossibility reaching Washington January 26, a. m. Submit following testimony, request incorporation in hearing records.

Need for extension of OASI scope coverage and benefit urgent. Public assistance carries undue burden. Rhode Island study in 1948 shows 10.2 percent of OAA recipients and 8 percent of ADC recipients receiving insufficient OASI. 25.2 percent of new OAA recipients in December 1949 received insufficient OASI. First findings of samples of a November 1949 study of recently unemployed new recipients of OAA show 50 percent ineligible for any OASI and show 72 percent of eligible 50 percent receiving $25 or less per month.

Some Federal sharing of costs of general assistance imperative. Rhode Island public-assistance program carries undue share of costs of severe local unemployment which has some national causation. General assistance case load doubled

in last 12 months. Need directly caused by unemployment and exhausted unemployment insurance increased 143 percent. Proposed matching of medical bills paid by agency should provide for matching on amount beyond present Federal ceilings.

In July through December 1949 in Rhode Island, State and municipalities had to pay from own funds for hospital care alone for recipients of OAA, ADC, and AB, the approximate equivalent of 50 percent of the total monthly State share of OAA assistance payment.

EDWARD P. REIDY,
Director, State Department of Social Welfare.

The CHAIRMAN. I believe that winds up the testimony this morning. We meet again tomorrow, Saturday. I hesitated to have a Saturday hearing, but there are still other representatives from the States who have not appeared, and probably they will be able to appear tomorrow morning, some of them at least. So we will meet tomorrow morning, and we will finish by noontime.

(Thereupon, at 12:27 p. m., the committee recessed until Saturday, January 28, 1950, at 10 a. m.)

SOCIAL SECURITY REVISION

SATURDAY, JANUARY 28, 1950

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

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George, chairman, presiding.

Present: Senators George (chairman), Connally, Johnson (Colorado), Millikin, and Butler.

Also present: Mrs. Elizabeth B. Springer, Acting Chief Clerk; and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will come to order.

The first witness is Mr. Byron L. Johnson. Come around, please, Mr. Johnson, and have a seat.

I believe you were with the Social Security Administration, were you not?

STATEMENT OF BYRON L. JOHNSON, PROFESSOR OF ECONOMICS, UNIVERSITY OF DENVER

Mr. JOHNSON. Yes, sir; I left there about two and a half years ago to teach economics, including social security, at the University of Denver.

The CHAIRMAN. You are at the University of Denver now?

Mr. JOHNSON. Yes, sir.

Senator MILLIKIN. Mr. Chairman, Mr. Johnson is a highly reputed man in Colorado. He is highly respected by the members of the faculty there and admired by the students who come under him. I commend what the has to say to the serious consideration of the committee.

The CHAIRMAN. We shall be very glad to hear you, Mr. Johnson. I thought I recalled your having at one time been connected with the Social Security Agency.

Mr. JOHNSON. That is right. I thank both Senators; my own Senator, for his kind words, and you, Mr. Chairman. As a matter of fact, I have written both on the subject of intrastate and interstate equalization, and some of my works have been published by the Social Security Administration, most especially this memorandum [Indicating] on The Principle of Equalization Applied to the Allocation of Grants-in-Aid, which was the product of some 3 years' study by myself and other members of the staff. (Bureau of Research and Statistics, Social Security Administration, Bureau Memorandum No. 66, Sept. 1947.)

I wish to speak most especially this morning to the twin questions of interstate equalization and intrastate equalization, subjects which are commonly referred to under the heading of variable grants.

There are two basic approaches to the philosophy of grants-in-aid. One calls for a large fund of money, to be, one might say, sloshed around in the hopes that some of it would go where it was most needed and where it would do some good in areas where good would not be done if money were not available.

The other approach would call for a smaller fund, with the allocation tailored to see to it that the moneys went where they were most needed. And this most economical approach, it is my argument, accords better with the concept of justice, and it makes possible equal treatment of persons in equal circumstances, regardless of where they happen to live. It is this second approach that I personally very strongly favor.

In its report on Federal-State Relations to the Hoover Commission, the Council of State Governments concluded its discussion of grants-in-aid by saying:

> Existing grants should be modified and future grants developed with the following general criteria in mind:
>
> 1. National grants should be provided on a broad functional basis rather than on a piecemeal basis—thus giving the States discretion in adapting them to their own needs.

I may say parenthetically that my first professional experience was with the State of Wisconsin, while I was doing graduate work there, and I have, I suppose, a strongly State-oriented point of view. And I commend to your attention H. R. 2892, considered by the House Ways and Means Committee last year, which embodied exactly this principle which the Council of State Governments refers to.

The second principle is this, and I continue the quotation:

> 2. National grants should help to support a Nation-wide level of governmental services which will be acceptable as a national standard. To this end, the grants should be apportioned to relate as closely as possible to (*a*) the need for the service within the individual States and (*b*) the capacity of the individual States to finance the service without disproportionate tax burdens.

The quotation is from page 81 of that report, Senate Document No. 81, Eighty-first Congress, first session. Now, initially, the Social Security Act provided, as you well remember, dollar-per-dollar matching of State and local funds for public assistance, within limits of $30 and later $40 per month for the aged and for the blind. The effect of the scheme was to make it possible for the wealthier States to provide decent payments for their needy, with a reasonable effort—but it made possible decent payments for the needy in lower-income States only if they were willing to make much heavier tax efforts than others needed.

By way of illustration, taken from that period, a tax effort of 1 percent of income payments in a State with a per capita income of $500 would yield $5 per capita. The same tax effort, of 1 percent, in a State with $1,500 per capita income, would yield a per capita tax of $15 each year. Now, if you match these amounts with Federal dollars, you have $10 per capita in the poor States and $30 per capita, with no greater tax efforts, in the wealthier States. One could very well explain the differences in monthly payments in these terms, and in fact, the Ways and Means Technical Subcommittee in their report

Issues in Social Security, issued in 1946 as a committee print, did so explain them, particularly in the section from page 285 on.

Senator MILLIKIN. I respectfully suggest that to keep the subject in balance it should be said that in those States, though they receive a greater sum of money from the Federal contribution, they also contribute more by way of taxes.

Mr. JOHNSON. I don't think there is any question but what the Senator is correct on that. And I suppose the fundamental question is the question of whether the purpose of the grant was to return the dollars in the proportion as they were received or in proportion to need.

Senator MILLIKIN. We are right in the middle out in Colorado, so I can be quite philosophical about it.

Mr. JOHNSON. Yes. I appreciate that same position, myself; and I therefore was particularly impressed to hear the spokesman from New York yesterday in these hearings, Mr. Chairman, comment on his own willingness to support, coming from New York, additional aid to low-income States, even though he seemed to be willing to pass it up as far as New York was concerned on lone of the programs, child-welfare services, I believe.

You may recall that the House Ways and Means Committee, after going through that report on Issues in Social Security, in 1946 came up with a bill which provided for variable grants to the States, but the Rules Committee would not give a rule to the bill with such a provision in it.

Now the effect of a variable-grants formula is something like the effect of the lines in the track in the Denver University stadium. I live just south of there. The starting line for each runner on the track appears to be at a different place; but the purpose of that is to equalize the opportunity for each runner to reach the finish line. No one is handicapped by having an outside track, and no one gets an especial advantage by having the pole position. If each runner were to run just as fast, starting at the same time, the finish would be a dead heat.

Similarly, variable grants will give each State an opportunity to spend for public assistance equal amounts per capita for equal degrees of tax effort. Actually, however, the low-income States would not be able to pay out the same amount per recipient as some of the wealthier States with the same tax effort, because public assistance tax loads are generally heavier in the low-income States, so that the available funds must be spread further. Also, if the Congress continues as the House recommends in H. R. 6000, to exempt agricultural workers from old-age and survivors insurance, the result will be to make public assistance a relatively easy burden on the urban counties and the urban States, but to leave it heaviest on the rural counties and the rural States, many of which are among the lowest income group.

In 1946, after the House committee was forced to report a bill without variable grants, this committee, the Senate Finance Committee, put back into the bill the variable grants formula which the House Ways and Means Committee had originally wanted. I recall being in Washington at the time and hearing Senator Connally make an excellent speech on the Senate floor in support of the Senate version of the bill, in which he demonstrated graphically from his wallet, almost, that the Federal Government under equal matching appeared more interested in providing aid to the needy in the well-to-do States

and less interested in providing aid to the needy in the poor States. And, as I recall, the Senate vote was unanimous in favor of your version, but it was not a record vote.

Out of the conference committee and succeeding legislation on public assistance, you are now using a formula which varies the proportion of the Federal aid with the size of the monthly payments, but which does nothing to equalize the monthly payments. Worse than that, in my own opinion it represents a large fund approach to grants-in-aid and appears to be leading to the assumption of increasing Federal interest in the entire program. It makes, again in my opinion, unwarrantably large grants to some States, and yet fails to equalize the level of assistance payments between States.

The Council of State Governments report which I quoted a moment ago comments on the present public assistance formula in these words, at page 153 of their report on Federal-State relations:

> Program inequalities between rich and poor States are accentuated by present grant-in-aid participation formulas. Most of the low-income States are unable to take full advantage of the national matching provision, and thus receive the low-average per capita allocations of national public assistance funds. The poor States must subject their citizens to an unduly heavy tax burden in order to achieve even a relatively low standard of assistance. If the generally acknowledged purpose of public assistance is to meet basic minimum requirements of needy individuals, then the present system is found wanting.

As of September 1947, the council found 24 States to be paying less than the amount that the States had established as the minimum need in one or more of their categories.

Another Senate committee, that on Education and Labor, in the Seventy-ninth Congress, had to grapple with very much the same problem in the Hospital Survey and Construction Act. That act, as it first passed the Senate, called for variable matching grants, as you may remember. Again the House killed the variable matching, although approving the allocation formula. It has been most interesting to me to follow the results. I had predicted, in bureau memorandum No. 66—and the results seem to bear me out—that the low-income States would be unable to make the much greater tax effort which was required by the allocation formula and matching formula in the resulting law, and would be unable to secure the funds available; and the Federal funds for hospital construction that were supposed to go to low-income States would revert to the higher income States that were able to provide matching funds, although the program had been explicitly designed to remedy deficiencies in the supply of hospital beds in low-income States.

It was most gratifying, therefore, to see that this Congress, the Eighty-first Congress, was willing in both Houses to amend the Hospital Survey and Construction Act and to reinsert a straight variable matching grant formula, very much as provided in the original Senate version of the bill in the Seventy-ninth Congress.

Senator MILLIKIN. Why do we not meet the problem head-on and adjust all of these formulas that you are mentioning, in different types of bills, with the simple proposition of determining a minimum standard and aiding directly those States which cannot reach the minimum standard out of their own resources?

Mr. JOHNSON. That, Senator, was the essence of Senator Taft's original version of the aid-to-education bill.

Senator MILLIKIN. I was with him then, and I departed from him when he departed from that.

Mr. JOHNSON. The philosophy of that is not only thoroughly clear but thoroughly laudable. I attended, sometimes, House hearings of the Education Committee in times past, and I got the very clear impression, Senator, that in order to get a bill through the House, even in aid to education, it would prove necessary to provide some funds to everybody. And my impression is that even Senator Taft finally modified the education bill to do that.

Senator MILLIKIN. Well, look at the "bughousery" involved in the general-aid bill. Take the State of Colorado, which is in the middle. We need to improve our own educational standards. We have teacher-pay problems and all sorts of things which you are better acquainted with than I am. But, we take our funds and we send them to the State of New York and to other far wealthier States than we are in terms of per capita income. We, in turn, receive money from States which are far poorer than we are in terms of per capita income. Now, there just is no sense in that. It is indefensible. It is a generalized pork-barrel approach to important problems.

Mr. JOHNSON. Yes. I am glad the Senator said that, because that is my basic criticism of continuing to raise the Federal share of public assistance in all States from 50, to 66, to 75, to, now, 80 percent of the basic minimum payments in all States. It seems to me that—well, if I continue from my prepared statement, I will make that point immediately.

I hope that this committee will study the language and experience of the Hospital Survey and Construction Act, because it seems to me graphic evidence of the significance of a variable matching grant to the successful equalization of a minimum level of program operations throughout the country.

Now, the principle of equalization, applied to the allocation of grants-in-aid, is simply that the grants from the larger to the smaller unit should be directly in accordance with need, and inversely in accordance with ability. The formula recommended in H. R. 2892, or that used in the Hospital Survey and Construction Act, is simply one mathematical expression of that principle, based on the use of income payments as the measure of fiscal ability, and using population as the measure of need. Incidentally, I have set forth the algebraic demonstration of that formula in chapter 7 of the bureau memorandum I referred to earlier.

The Council of State Governments report that I referred to agrees that

> * * * the variable grant offers a means of supporting this [national minimum] level with a much smaller grant fund than would be necessary if the apportionment formula and the matching provision treated all States alike.

I am quoting from page 80 of this document—which is exactly your point, Senator: That with a variable matching formula, coupled if need be with an allocation formula, which goes hand in glove with it, you can put a small amount of money where it is actually needed, and get the job done, rather than to have to spend tremendous amounts where there is little economic justification for the allotment.

My comment about the House committee was only to call attention to obvious political considerations in the passing through the House of

certain grants-in-aid legislation, principles to the contrary notwithstanding, apparently.

Now, the thesis that smaller grants, equitably distributed, will do more justice with less money, is just as valid at the State-local level as it is at the Federal-State level. In our studies of payments to persons in various counties within a single State, we have found that there is sometimes a greater variation within a single State than there is between averages for the several States. On closer examination, we find that the counties within a single State have wide variations in fiscal ability, wider than among States incidentally, and in case loads, and that the case loads tend to be proportionately larger in the poorest counties; which simply aggravates the problem. I regret that I did not bring with me the data on Colorado counties, but as I recall, the mill levies average around 4 mills per county in the poorest counties, taken by per capita property assessments and average around 1 mill in the wealthier counties, to meet Colorado's county share of public assistance responsibilities, which simply illustrates that for the poor counties in that State to meet their responsibilities calls for a much greater tax burden than for the wealthier counties; and, in fact, there was still some difficulty in securing uniform meeting of need throughout the State.

Senator MILLIKIN. Well, do you think the Federal Government should project itself beyond the State level?

Mr. JOHNSON. Through the language of H. R. 2892, yes, that is my next point, Senator.

Because the Federal Government started on the basis of equal matching in all States, and still uses a uniform formula, most of the States have also enforced a uniform percentage share on all counties, wherever they have required county financial participation in the program. Many States have had great difficulty in securing a uniform State-wide plan, as a result. I recall in one of the House hearings, hearing former Representative Knutson inquire: "Why should the program operate differently in different counties in our own district?" And it was the difference between a wealthy county and a poor county in his own district.

Now, H. R. 2892 would have required, as a condition of a State plan, "for such distribution of Federal and other funds for assistance in administration of the plan as to assure equitable treatment of needy individuals in similar circumstances, wherever they may live in the State."

This language would assure the existence of a uniform State-wide plan and would avoid any tendency toward different standards in each county.

Now, many people have wondered just how such language could be carried out. I am happy to be able to report to this committee that in Colorado we have just worked out a solution to this problem, consistent with the principle of equalization I have just mentioned. The State board of public welfare, under the able leadership of Earl Kouns, who testified here the other day, gave extensive study to the problem of securing uniform levels of programs in all counties—some counties had been paying only a percentage of the funds they admitted the recipients needed in accordance with the State standards. The State has just begun this month using an equalization formula algebraically related to the one proposed at the Federal level, to determine

which counties appear to be eligible for additional State aid, beyond the standard amount regularly provided.

The Colorado Legislature last year, as you may recall, Senators, provided special funds for the State Department to use in making supplementary grants to counties which were unable to pay 100 percent of need.

The CHAIRMAN. You do that by and through an equalization fund, do you not?

Mr. JOHNSON. Yes.

The CHAIRMAN. You do not do it through a varying tax rate imposed.

Mr. JOHNSON. Well, as a matter of fact, the tax load will continue to be, I suspect, somewhat different between counties. But the State is using the actual assistance budgets sent in by the counties to secure an accurate measure of need, and it is using as a measure of fiscal ability a composite made up of equalized property assessments and estimates of personal income payments by counties giving equal weight to each factor. This pioneering venture could be duplicated in many more States, and if the committee is interested in seeing that citizens of the United States are not treated in vastly differing fashions merely because of differences of county of residence in the same State, the committee will reinstate into this bill the language which was deleted by the House from H. R. 2892, in drafting H. R. 6000.

I believe that we have shown in Colorado, that the job can be done, and with legal guidance and technical assistance from the Federal Government, more States could follow our lead in Colorado.

Senator MILLIKIN. Have you any figures on the differences in purchasing value of the dollar in different States?

Mr. JOHNSON. The Bureau of Labor Statistics unfortunately has largely confined its consumers price index, the so-called cost-of-living series, to urban areas. I sincerely hope that we will find further studies made of rural as well as urban areas. But in talking with the State director of public assistance in Wisconsin about this subject a few years ago, I found to my surprise that his evidence demonstrated that the costs were highest, assuming the same standard of living, in the rural areas. And his argument was that in the rural areas the food was actually more expensive to purchase than in urban areas, and they found that except for the rent item, which went down in rural areas, most other items in their own price data went up in rural areas; and that the real difference between urban and rural areas, Senator, was not in the cost of living but in the standards of living; that in fact we don't expect nor deliver the same content to the family budget in rural areas that we do in urban areas.

That came as a surprise to me at the time, but on sober reflection I think that Mr. Keith – that is who it was – was correct in his appraisal.

Senator MILLIKIN. Well, that certainly would not be true as to all items of purchase in rural communities. You can buy eggs cheaper in a rural community than you can in a big city, and I imagine there are a lot of other items, food items, that run the same way.

Mr. JOHNSON. But his point was that, on balance, the most expensive place to live in Wisconsin was up in the northern part of the State, and the least expensive place to live, rent aside, was in Milwaukee.

Senator MILLIKIN. I believe Senator Johnson would confirm this: that in Colorado, for example, if you have an isolated mining camp where the transportation cost of getting things in is very high, you might have a very high cost of living in that particular camp.

But generally speaking, would you not say, offhand, Senator Johnson, that in the regular farming districts of Colorado the living is cheaper than in the larger cities?

Senator JOHNSON. Yes, I think that is true; with the exception that the cities do have better marketing places and cut-rate stores and opportunities of that kind. Of course, the housing is very much cheaper in the rural areas. It may not be as fancy, but it is cheaper. And I would say that in Colorado, outside of the isolated mining districts that you speak of, where it would be hard to transport supplies, it ought to be about from 10 to 25 percent cheaper in the rural areas.

Mr. JOHNSON. I am glad you made the point as you did, on housing; because in fact the standards of housing accommodations in rural areas are, as you know, normally not precisely equivalent to those in urban areas. That is, hot and cold running water, inside flush toilets, bathtubs, telephones, do not exist in many many rural homes, and no one anticipates that relief recipients will receive higher standards of rural housing than other people receive, and therefore the payments may very well be smaller in rural areas.

So that my point was that if you were using precisely the same standard or content of assistance, you might find that rural living was more expensive, and really the significant differences are often intangible differences in content. The farmer, for example, frequently requires a more moderate and modest wardrobe than this urban cousin would require, simply to maintain the same position and standing, or status, in the community. And those are really the differences. It is not the difference in the cost of living but the more subtle differences in the contents of living.

But be that as it may, the fact still remains that the differences in payments between wealthy and poor counties within a single State often are far greater than any such differences in costs, whether they be 20 or 25 percent, would appear to justify. Now, to Colorado's credit, they are working very diligently, and it was to report that progress that I introduced the references to our State.

Senator MILLIKIN. Mr. Chairman, might I ask Mr. Cohen a question?

The CHAIRMAN. Certainly, Senator.

Senator MILLIKIN. I would like to ask if the Social Security Agency has statistics on the difference in the purchasing power of the dollar, not only as between urban communities in different States but also as between the country and the city.

Mr. COHEN. No, Senator. We put those cities in the record already; but we have nothing on the rural areas outside of those 32 cities, I think it is.

Senator MILLIKIN. Nothing that will point up the comparison that the witness is speaking of?

Mr. COHEN. No, there hasn't been anything done on that in recent years.

(The Social Security Administration later submitted the following available information:)

COST OF LIVING IN URBAN AND RURAL COUNTIES IN PENNSYLVANIA

The Department of Public Assistance of Pennsylvania makes an annual cost of living study and prices five common items of need: Food, clothing, incidentals, rent, and fuel and light. The results of a survey made in 1948 have been published in a bulletin, Current Living Costs as Related to Standards of Public Assistance in Pennsylvania as of December 1948.

Food costs.—The report states that studies made by the department show little intercity variation in food costs. A special study made by the department shows that food costs average about 10-percent higher when bought at the smaller neighborhood stores than at the self-service supermarkets where the pricing is done. For persons in rural areas some foods produced locally are available at lower costs. This fact is considered sometimes compensating for the higher prices that persons not accessible to supermarkets must pay for food purchased in the smaller neighborhood stores. Thus a uniform State-wide schedule of costs is used.

Clothing.—Prices of clothing items are derived from the catalogs of large mail-order outlets in Pennsylvania. Prices of clothing upkeep and shoe repair are based on costs in representative Harrisburg stores. The standard of quality for the items of clothing is that of the most inexpensive grade of merchandise. Uniform cost figures are used throughout the State for persons of a given age group.

Incidentals.—The budget item "incidentals" represents minimum essentials associated with (1) household cleaning and maintenance supplies and (2) personal care and miscellaneous items such as newspapers, church attendance, stationery supplies, tobacco, recreational activities, etc. The costs for these items are considered to be reasonably uniform throughout the State and consequently allowances do not vary from county to county.

Shelter maintenance.—This budget item includes the cost of rent, fuel, and light. These items vary from county to county and county costs have therefore been determined.

Rent costs were computed on the basis of two rooms for one person; three rooms for two persons; five rooms for four or five persons, etc. A level for rent was chosen that would cover 95 percent of the actual rentals paid by assistance recipients. Thus only about 1 case in 20 paid more than the rental costs shown in the study.

Heating fuel prices were obtained from representative fuel dealers in each county. The prices used were the average prices of a ton of anthracite or bituminous coal, depending on which fuel was more commonly used for domestic heating in the particular county. Gas and electric rates were those applying to the greatest number of consumers in each particular county. In counties where gas service is not available kerosene was substituted as the fuel for cooking. The cost figures for fuel and light were obtained for families of given size by multiplying the quantities allowed in the budget standards by the unit cost. The budgets represent average cost and assume efficiency and care in the use of light and fuel.

COST OF BASIC BUDGET ITEMS IN SELECTED URBAN AND RURAL COUNTIES

The tabulations attached show the cost in December 1948 of the five common items of need for an adult male living alone and for a four-person family consisting of the mother and three children in four urban and four rural counties in December 1948. The differences in cost as between the urban and rural counties at the standards established by the department of public assistance is not great.

Monthly cost of 5 common items of need in selected urban and rural counties of Pennsylvania as of December 1948 [1]

County	Total	Food	Clothing	Incidentals	Shelter maintenance	
					Rental	Fuel and light
Male living alone:						
Urban:						
Philadelphia	$37.30	$21	$4	$3	$22.10	$7.20
Allegheny	38.70	21	4	3	24.10	6.60
Lackawanna	33.70	21	4	3	19.30	6.40
Luzerne	34.20	21	4	3	19.60	6.60
Rural:						
Bradford	32.60	21	4	3	16.10	8.50
Forest	48.60	21	4	3	14.70	5.90
Potter	51.80	21	4	3	16.60	7.20
Sullivan	47.00	21	4	3	13.20	5.80
4-person family (mother and 3 children):						
Urban:						
Philadelphia	134.70	64	18	5	33.20	14.50
Allegheny	136.80	64	18	5	36.40	13.40
Lackawanna	127.70	64	18	5	28.50	12.20
Luzerne	128.50	64	18	5	29.00	12.50
Rural:						
Bradford	120.20	64	18	5	23.20	16.00
Forest	119.10	64	18	5	20.80	11.30
Potter	125.20	64	18	5	23.80	14.30
Sullivan	117.00	64	18	5	18.40	11.60

[1] Based on the standards of public assistance of the Department of Public Assistance, Pennsylvania, Current Living Costs as Related to Standards of Public Assistance in Pennsylvania as of December 1948.

Mr. JOHNSON. I may say, Senator, that in March, in talking to Miss Hildegard Kneeland in the Budget Bureau, who is also associated with the Conference on Income and Wealth of the National Bureau of Economic Research, in her technical capacity, we discussed the possibility at some future time of a conference on income in small geographic areas, rural as well as urban, and on costs of living in such communities. I think we both recognized that in spite of the tremendous amount of statistical work which is being done by the Federal Government, there are still great gaps in our knowledge on such matters. I personally have given great attention to the income side of payments to persons in all counties, and we have just completed estimates for 1948 for counties in Colorado, and we previously made estimates for 1945 of income payments to persons by counties in Colorado. And there are a number of other States which are now giving attention to that side of the question. But for reasons which I am unable to account, precious little study has been given, although there is certainly great use for the data which you request. And I hope that within a year or two the statisticians' and academicians' attention can be turned to that and we can provide answers to your questions, which are quite reasonable.

The proposed language which I am proposing for insertion in the bill does not prescribe the exact method. Each State would, of course, work out its own solution, the one that best fits its own situation. But the language would underline the Federal interest in assuring that recipients of public assistance are not made to suffer discrimination in payments by reason of living in a poor county. Every State has its poor counties—intrastate equalization is a persistent problem—and it affects other programs than public assistance.

Parenthetically, I might say that one might justify Federal aid in fields outside of public assistance in wealthy States by including pro-

vision that the funds should be used to assure equitable treatment of, let's say, school children in all counties throughout the State. Even New York State has its poorer counties and has its own intrastate equalization problem, for example.

The task of getting the several States to adopt reasonable patterns of intrastate equalization will be made easier if the Congress will adopt variable matching grants from Uncle Sam to the States, for the problem of intrastate equalization is most easily solved by application of a very similar technique. The next best alternative from a technical standpoint is for the State to take over the program from the counties completely and to leave the local units out of it altogether. I don't wish to enter that argument here, except to say that if we do not get equitable treatment of persons throughout a State, following the language suggested, we may well continue the drift in the direction of full State responsibility. I think many people will regret such a step, as a step away from local self-government.

Senator MILLIKIN. May I ask you: I am making no contention one way or the other, but you raise a lot of deep philosophical questions as to the relation of the States to the Federal Government and of the counties to the States. Let me come to the end point that is in my mind. When you put money, Federal money, into the States, or, since we are talking about the counties, into the counties, do you not depress what might otherwise be the initiative of those counties to raise their own economy to a point that would provide a better standard of living in that county? Or make it "State" if you want to.

Mr. JOHNSON. I think the answer is partly a historical answer, Senator. Many States had done much, at least within the limits of their ability in the midst of depression, to meet the problems of providing aid to needy persons in 1933 and 1934. But not until the Federal Government provided a degree of assistance to the States and counties did all States and all counties have such a program.

I think the easier answer to the Senator is in some other field, in the field of health services, for example. I worked for some years for the Wisconsin State Board of Health and am familiar with problems of health services. The wealthier counties provide ample and excellent local health services, but since there is little aid from States to local units for local health service about half of the counties in the United States have no local health service.

Wisconsin many years ago adopted a technique of providing $1,000 to pay the salary of a county nurse in each county, and it was surprising how that $1,000 persuaded almost every county, even though it were small and poor, to at least provide the services of a county nurse. And I think that it doesn't need to be much aid, but the aid is a kind of stimulus, and once the local unit has seen the benefit of the service, as you have seen in ADC, for example, the local communities often go far beyond the provisions of the Federal statute in carrying out the responsibility once they have undertaken it.

But the greatest strides are always made by the wealthiest areas. The poorest areas, no matter how much they may wish to provide service, simply cannot go beyond the means available. And to expect, as we do in Colorado, a ratio of four times as great effort by the poorest counties as we do of the wealthiest, I think illustrates that it isn't because of unwillingness that the service is not provided; it is just

sheer fiscal inability that often provides the limits to the service that is provided.

I would like to close these remarks on public assistance by commenting on the relationship of old age and survivors insurance to all of this. If the Congress will provide universal coverage under OASI and a fairly quick earning of eligibility for the older persons not now in the insurance program, we may hope that public assistance will shrink down to a manageable size. Its present gigantic amount is unthinkable for a permanent program. But only through extension of coverage can old-age assistance, aid to dependent children, aid to the blind, and general assistance be returned to the supplemental task which was originally intended for them.

As the gentlemen from Colorado on this committee know, we in Colorado appear to be burdened with a sort of "old man of the sea." So long as 42 percent of our aged are dependent upon old-age assistance for their security (their "Mile High Harbor," as Author-Justice Otto Moore calls it), and only 9 percent of our aged draw old-age and survivors insurance benefits—and the difference between the average amount of benefits paid each person is 3 to 1 in favor of old-age assistance in Colorado—we shall probably continue to earmark 85 percent of our sales taxes for these pensioners. But if the Congress will reverse those figures for us in the fullness of time, so that first 42 percent and then ultimately practically the entire group of aged can look to old-age and survivors insurance to provide them their security, and not a miserable pittance, we may look forward to the day when our State-tax system, along with that of all other States and localities, will be freed of most of this burden which is now reaching toward $2,000,000,000 a year.

I think this committee could make a tremendous step toward returning more responsibility to States and localities by freeing those funds of the bulk of the burden they now carry, of public assistance, through a comprehensive revision of the old-age and survivors insurance law.

Senator MILLIKIN. Would it be fair to say that in doing that you would pass the burden from the general taxpayer to the beneficiary under the insurance system, including the employer?

Mr. JOHNSON. I think that is a fair statement, Senator, yes. But I call to your attention again that if you continue to exempt agricultural employments you will continue the local tax burden upon the counties that can least afford it; for in the rural counties the burden of public assistance will continue unchecked.

The other extension of old-age and survivors insurance will, of course, be deeply appreciated by the urban counties.

I have heard Farm Bureau members in Colorado complain that they are paying for old-age and survivors insurance for other people, both when they buy manufactured goods and when they work for short periods in covered employments. And yet they must again tax themselves for public assistance.

Senator MILLIKIN. And if you transfer the burden, they will be taxed, themselves, for insurance.

Mr. JOHNSON. But only once.

Senator MILLIKIN. We will not go into that. [Laughter.]

Mr. JOHNSON. I agree with page 48 of your advisory council's report, Senator. I am glad that you are willing to waive the point.

Senator MILLIKIN. I do not waive the point. I just will not press it, in the interest of time.

Mr. JOHNSON. All right, Senator. Thank you.

Senator JOHNSON. You speak of the Farm Bureau members making that assertion, and yet on the 13th of January, when they met to take action on this very proposal, they were very silent.

Mr. JOHNSON. They were very silent. Yet, Senator, I was one of the discussants at the State convention of the Farm Bureau, and it was my colleague in that debate, a Farm Bureau member, who made the point. And I found among those present at the State convention considerable sympathy for his criticism. As you know, many farmers do work for short periods of time in covered employment, but not sufficiently long to earn coverage in the program, and consequently they are actually paying OASI taxes from time to time, which, of course, are lost to them. That is, they have no chance of recovering any benefits under the program as it now operates.

So that it is not only when they buy other people's goods. It is during certain periods of their own employment that they are paying for OASI, and yet never earning it. I regret that the executive committee did not come out where some of the members came out, if that was the final conclusion. I was talking with Mr. Kouns yesterday, and at that time he had not heard the final outcome.

Senator JOHNSON. Yes. He said that they took no action.

Mr. JOHNSON. Well, there are sometimes differences between members and leaders of organizations, as you are well aware.

Senator JOHNSON. Oh, yes.

Mr. JOHNSON. I have been most disturbed to see free Americans surrendering their freedom in a fruitless quest for security, for that is what the workers do when they ask for and receive company- or industry-wide retirement assistance. I know persons who have given up chances for advancement, for personal health and comfort, to protect the security they thought they had bought in these company plans. Sometimes they found that they simply had to quit the firm or the industry, even after 20 years under such a plan. I recall my first experience with such a case, when I was a boy. We had a man operating a store near my home who had moved out of the big city. He had worked for 23 years for a packing company and was within 2 years of retirement. But his wife's health, the doctor told him, left him no alternative but to leave the city. And to his amazement, all of the years that he had given that company gave him absolutely no security. He had to start from scratch to make his way in a new business in a new community, as he approached retirement age.

Naturally, he, like many other men, was miserable when he found that the security he had treasured so long did not follow him when he left for a new job. Some men found, in the last depression, that these pension plans were not adequately financed, and that the security they had treasured simply evaporated. Many found that the firms were protecting their limited pension funds by firing workers as they neared retirement age, which is certainly a vicious practice, and one which in other countries has led ultimately to legislation making it difficult if not impossible for a company to fire a man as he reaches his retirement age.

Now, this is a land of freedom. It is one in which a worker can and does have an opportunity to advance himself by moving about from job to job, from firm to firm, and from one industry to another and from one State to another, always seeking better jobs and generally finding them. This freedom is precious not only to the worker but to the Nation as well, which gets the benefits of his increasing productivity through the fact of his mobility.

All of these company and industrial plans interfere with this freedom. They cause the worker to give up his freedom in his quest for security. And unfortunately the bargain is doubly bad, in that many of these workers will not get the security they thought they had bought in the transaction.

I have heard it said that one of the recent contracts in one industry will ultimately work out to the result that only 10 percent of the workers now employed by that firm will be in that firm to draw benefits when they reach retirement age.

I firmly believe that this committee has it in its power, together with the Congress, to restore freedom and mobility to the American working force, and that you should do so as quickly as you can. The only way that I can see, however, given these recent pension contracts, is for the Congress to provide ample security to all persons, so that they will not need to give up their freedom by a series of ill-advised but voluntary contracts. You can probably do it by providing ample benefits to those who retire, so that supplemental pensions are not necessary. And I hope that you will. But I doubt that any level that the Congress will set will satisfy everyone. Some employers and some groups of employees may well want to have larger retirement benefits than any that you may provide. The employers may want these to attract and to hold competent workers. The workers may want them because they can afford them and wish to protect their living standards against the sharp drop in income that any social security benefit will occasion. But if no special Federal provision is made for such supplemental annuities, employers' and employees' representatives will continue to bargain away the worker's freedom, his mobility.

Senator MILLIKIN. What would a $100 pension under the OASI cost, under the coverage?

The CHAIRMAN. At 65?

Senator MILLIKIN. Yes.

Mr. JOHNSON. I regret that I am not a cost expert, Senator. There are others who can do a better job of answering that than I.

Crudely, I suppose if you take 12 million persons ultimately drawing such benefits, you can compute fairly quickly, multiplying 12,000,000 times 1,200, and then coming out at $14,400,000,000, I believe.

Senator MILLIKIN. May I ask Mr. Cohen a question on that, Mr. Chairman?

The CHAIRMAN. Yes, Senator.

Senator MILLIKIN. Mr. Cohen, if you had a $100 pension at retirement age 65 under the Federal system, what would be the level premium, and what would be the pay-as-you-go premium?

Mr. COHEN. It depends, Senator, on whether you mean that you would want to pay $100 to each of the 12,000,000 people including the men and women.

Senator MILLIKIN. Everyone that retires at 65 gets $100; what would it cost?

Mr. COHEN. Well, that would be around $14,000,000,000.

Senator MILLIKIN. Fourteen billion dollars. Present coverage?

Mr. COHEN. That is the present coverage. And, of course, that would increase, because the number of aged in about 25 years would be closer to 18 or 19 million people than 12, which it is at the present time.

Senator MILLIKIN. You can see at once that you are entering into a real fiscal problem when you get into that.

Mr. JOHNSON. Yes. As a matter of fact, Senator, my personal feelings again, and in teaching a course in social security, I found very considerable student support for the argument, is that perhaps we ought to modify our opinion. When this bill was originally drafted, during the depression, the thesis was to get old people out of jobs and make way for young people. I think we are getting into times when we are thinking of reasonably full employment. The Employment Act of 1946 demonstrates clearly, I think, the Congress's philosophy.

Senator JOHNSON. I understood Mr. Kouns to say the other day, that the Colorado State retirement plan calls for 5 percent on the employer and 5 percent by the State, contribution, and that that provides a sound retirement plan of $200 a month. Are you familiar with that plan?

Mr. JOHNSON. I think that is approximately correct, Senator. As a matter of fact, I am paying 7½ percent of my salary, and the university is contributing another 7½ percent, to provide me with what we consider to be a decent retirement annuity.

I think perhaps that comes closer to answering your question, Senator Millikin, than anything else I could say.

And my basic point, here, is twofold. First, no benefit amount that you could fix that would be reasonable would satisfy everybody, including me, perhaps. I am already voluntarily undertaking a much heavier program.

The second point that I was about to make is this: That we ought I think, to encourage those workers who reach 65 and who are still ready, willing, and able to continue to work, to do so. And, as the science of geriatrics progresses and more people live longer, it will be more necessary that we secure the benefit of their labors. The Congress would be the poorer, I think, if the Congress were to require that all men reaching the age of 65 retire. I think the Senators would readily agree with me.

Senator MILLIKIN. Senator George is having his 72d birthday tomorrow, and it would be a national calamity if he retired.

Mr. JOHNSON. My point precisely. And I would suggest that the committee consider for inclusion in the bill the suggestions previously made by the National Industrial Conference Board, among others, to increase the payment to recipients as an incentive if they postpone their benefits. Their suggestion was to increase the benefits by 1 percent per month for each month by which retirement is postponed beyond the age of 65. Ultimately the country would be the happier, and the pension program wouldn't take such a beating, if we provided some such incentive for older workers who were ready and able to continue work beyond 65 to do so. It would cost the

pension program, my understanding is, very little if anything. Because, in fact, the worker would live a shorter period of time in retirement by reason of postponing retirement, and he would have paid in longer.

I am told by the local OASI field staff employees that practically no one retires at age 65 anyway. The average worker who is 65 turns out to have a wife who is 60 or 62, and he decides to postpone retirement.

The CHAIRMAN. Sometimes it is much younger than that.

Mr. JOHNSON. Sometimes it is younger than that, Senator. Absolutely. Therefore, they find the average age of retirment is actually considerably beyond 65. And I think that the law might take cognizance of that, ultimately, in the interests of cutting down that $14,000,000,000 that we were talking of just a moment ago, Senator.

Senator MILLIKIN. I believe you are putting your finger on things that are plaguing every member of this committee, because you cannot escape the relation of these private plans to what we are trying to do here.

Mr. JOHNSON. That is the reason for my suggestion.

Senator MILLIKIN. But when you talk about $14,000,000,000 and add the other "deducts," the income taxes, and maybe some form of deduct for medical care, dues, and all of the others that can be envisaged limited only by the scope of human imagination, you will have nothing but "deducts" some day unless the thing can be kept in some kind of shape.

Mr. JOHNSON. I see your point, Senator. My feeling, very soberly though, Senator, is that there should be a revision of the OASI law to make it elective; in other words, the man who needs to retire at 65 because he is worn out physically, or the woman who may need to retire at 60, should be permitted to do so. But I think that the law ought to be amended to encourage those workers who feel that they are able and willing, as some of you gentlemen are, to continue working beyond their sixty-fifth birthday, to do so. And that will, in part, meet some of the question that you have raised. And from the standpoint of a nation which is constantly getting older—that is, its total average age is increasing—I think some such revision of the law will be absolutely essential.

Senator MILLIKIN. The chairman has stated that we will have a group of witnesses to see what can be done to prevent the premature junking of the workers of this country.

Mr. JOHNSON. I am very happy to hear that.

I want to complete this comment, and then I am through, Senator. I suggest that in addition to taking action on H. R. 6000, you call for a study of the possibility of Federal administration of a program of supplemental annuities, to be administered only for groups working under one or a group of employers, and covering all employees in such a group. These annuities, I believe, should be sold at whole cost, paid out on a straight actuarial basis to the workers who had made or whose employers had made supplemental payments on their behalf. I believe that such supplemental plans can and should operate over a much wider range than the House limit of $3,600 a year, or even the administration's proposed $4,800 limit. Scientists, teachers, and administrators need their freedom too.

I would adduce three basic arguments in support of his plan. The first one is, obviously, that this would assure the worker that he could leave his job in question without losing his accumulated pension rights. In fact, he could then accumulate his pension rights from a number of covered employments, whether it be teaching, working in the coal mines, government service, railroading, or any other service which provided governmental pensions.

Secondly, such a plan would eliminate the waste in the numerous little plans we have now, which clutter up the place in a way, without guaranteeing either freedom or security. The cost record of the Bureau of Old Age and Survivors Insurance is one of the brightest spots in public administration, or in the entire insurance business for that matter.

Finally, only the Government can take the risk on annuities. With the science of geriatrics constantly prolonging life, this is bad business for private concerns; but the Government can and should take the risk.

I would conclude by saying that we have heard much talk in recent years about freedom and security, as two basic drives which appear to be incompatible. There is certainly evidence, especially in this past year or two, that many workers prize security more than they prize freedom; that they will voluntarily bargain away much of their personal freedom to move, in order to get what they believe to be security. The tragedy is double; for they don't get security. It seems to me that actually security and freedom are compatible only if the Congress provides, first, a basic minimum for everyone, and, secondly, offers to provide at cost such additional degrees of security as individuals may want.

I don't think it is fair for either employers or for employees' representatives to undertake to negotiate contracts in which the worker is led to believe that he is getting security—but in fact many of them will not do so—and in which he is led to believe that only by casting his lot forever with this industry or with this firm or with this labor union that he can preserve his security.

Senator MILLIKIN. What would you say are the conditions precedent to the assurance of security on the date by the Government?

Mr. JOHNSON. Well, the conditions very obviously would be, first, collection of the funds on a straight cost basis; secondly, entering the contributions or, shall we say, insurance premiums on the record of the wage earner without regard to what particular employment he may be in from day to day or year to year; thirdly, a proper investment of those funds in good securities. If you are prepared, Senator, to recommend anything besides Government bonds for Government trust funds, I will be willing to discuss the matter with you.

Senator MILLIKIN. I will probably have some recommendations, but I wish to mature my thoughts on that subject.

Mr. JOHNSON. And then a good group of actuaries to work out the actual benefits which these premiums have earned in the course of the years that they have been accumulating.

Senator MILLIKIN. Would you add another one: the maintenance of fiscal and monetary and debt and other policies that will preserve the value of the put-in dollar in relation to the value of the take-out dollar?

Mr. JOHNSON. Oh, absolutely, Senator. I feel, as an economist, that one of the most basic questions facing this Congress, and possibly a good many Congresses to come, is the question of securing that degree of economic stabilization which will maintain the value of the dollar. An insurance contract is a long-term contract, and if we cannot have reasonable assurance of the continuing value of the dollar, there isn't much point in talking about any long-term insurance program.

Senator MILLIKIN. Amen.

The CHAIRMAN. Well, I want to direct your attention to one thought here. In a general way you have covered it, but you probably have something else that you might want to put into the record on it.

As we move toward universal coverage I am prepared to agree that in theory at least you might have less pressure for public assistance. I am not sure that it would lighten the burden. I do not know how it would turn out. But as you move toward universal coverage, and assuming that we might go practically to universal coverage now, you have got to do one other thing. You have got to give benefits to the people who are put under that compulsory system. In other words, you will not be able to carry on a system under which you would cut a man off because he lacked one or two quarters of qualifying. He would have to have credit for his money, however little, however big, in some way, or otherwise you would have a most inequitable program.

Mr. JOHNSON. I think, Senator, that if you will be generous in making eligible those men who are rapidly approaching the retirement age, much as you did in the original law, to pick up the slack, so to speak, you will very quickly reduce the burden. I would say, on your first point, that I believe the evidence is fairly conclusive that in the more urban States, where you have reasonably full coverage now under old-age and survivors insurance, the public-assistance case loads tend to be smaller than they do in the more rural States; that in fact the States have demonstrated that public assistance is in all likelihood going to come down if you extend old-age and survivors insurance.

The CHAIRMAN. I would agree with you, yes.

I want to make my own position clear on it. I have never been able to see why we should not have a universal coverage if it is practical to do it, that is, if it can be accomplished. I realize, and have from the beginning realized, that there were some groups of employees in the country that would fit into this program that we did adopt.

I was here in 1935 and sat on this committee at that time and was on the conference that dealt with this problem in its initial stages. But in theory at least, everybody ought to be able to qualify under old-age and survivors insurance, and in theory that ought to lessen the pressure for special assistance programs.

As I said, whether that would result I do not know that anyone could say; because we are passing through a period now where a tremendous emphasis is placed upon security, as you have just said. Now, that means pensions. It means any sort of programs that promise some security. But I think that if we could move very close to, maybe now, at a reasonably early age, a universal coverage, if we could give some benefits to the people without requiring them to wait

too long to qualify and making it so difficult for them to qualify, we would greatly improve this system.

Mr. JOHNSON. I think if you err, you should err in the direction of generosity in eligibility for the program.

The CHAIRMAN. I agree with you fully.

Mr. JOHNSON. Your comments call to mind one other suggestion, and I offer it for what it is worth. The Senator will recall the Victory tax which we had during wartime, which was a tax which reached down to the first dollar that everyone earned.

The CHAIRMAN. It was intended to do that, but I recall that there was quite a bit of opposition.

Mr. JOHNSON. Yes. If it might be possible to work out something akin to a basic income tax which would be for social security purposes, and then a surtax which would be for general Treasury purposes, it seems to me that possibly your question of the difficulties of securing universal contributions would be very largely wiped out. I don't pose as an authority on the subject and I offer it only as a possible area for further study between the Treasury and this committee and the Joint Committee on Internal Revenue and the Federal Security Agency, to see what the opportunities might be.

The CHAIRMAN. Of course, you understand some of the difficulties of this committee; and you appreciate all of them, no doubt, because of your experience and your background. But at the moment, even if this committee desired to go to including certain of the now excluded groups, such as farm labor, farm operators, we would have the very practical difficulty that the House has declined to do that in this very bill. And we could not have any assurance that we would get very far with it at this time.

Mr. JOHNSON. I have the utmost confidence in the Senator's ability to work in conference committees, sir. [Laughter.]

The CHAIRMAN. I thank you very much; but I am pointing out some of the difficulties that lie ahead of us.

Senator MILLIKIN. Senator, we produce good witnesses from Colorado; do we not?

The CHAIRMAN. Yes; I have noticed. They are provocative; they make you think.

One of the great difficulties is that if we had a clean sheet of paper now to write out the program from the beginning, as we would like to have it, it undoubtedly could be greatly strengthened and improved.

Mr. JOHNSON. There is no question about that, and I am convinced, Senator, that some of my suggestions, even if they find approval in this committee, would need, in essence, another resolution calling for further study; that is, that you could not possibly, in the space of time available and in light of the House action, expect to achieve a utopia that you might write out on a clean sheet of paper in this Congress. But I think that the directions which I suggest, Senator, at least to me seem absolutely clear. I think the danger to freedom in America is far greater if this committee fails to push along in this direction, because we have ample testimony from the actual behavior of employers and employees that workers will give up their freedom. And it seems to me that it is therefore a double burden upon the Congress to offer such techniques of security as will assure the worker that he can maintain his freedom. I say that in all sincerity, Senator, because in countries throughout the world people have bargained away

freedom for security; and I think it is a tragic bargain to make, because it is so unnecessary.

The CHAIRMAN. I think your statement would meet with general approval by this committee on that point.

We thank you very much for your appearance here.

There may be questions which some of the other Senators would like to ask.

Senator MILLIKIN. I would like to congratulate you on your very lucid statement of your own position.

Mr. JOHNSON. I appreciate very much the opportunity given me, Senator, and I thank you.

The CHAIRMAN. The next witness will be Mrs. Jack B. Fahy.

You are appearing for the American Parents Committee?

STATEMENT OF MRS. JACK B. FAHY, EXECUTIVE DIRECTOR, AMERICAN PARENTS COMMITTEE, WASHINGTON, D. C.

Mrs. FAHY. Yes, sir.

The CHAIRMAN. You are from Washington?

Mrs. FAHY. Yes, sir; I live here.

The CHAIRMAN. You may proceed.

Mrs. FAHY. I am Mrs. Jack B. Fahy, executive director of the American Parents Committee. The committee is a nonprofit educational organization established 3 years ago to improve conditions for children nationally and locally. Our chairman is Mr. George J. Hecht, publisher of Parents Magazine and several other publications dealing with children and parent-child relationships. I submit for the record the list of officers and board of directors.

(The list referred to follows:)

OFFICERS AND DIRECTORS OF THE AMERICAN PARENTS COMMITTEE, INC.

OFFICERS

George J. Hecht (chairman), president of Parents' Institute, Inc. (publishers of Parents' Mazagine and School Management); founder and secretary for 20 years of the Welfare Council of New York City; vice-president, Social Legislation Information Service.

Dr. Henry Noble MacCracken (vice chairman), former president, Vassar College, Poughkeepsie, N. Y.

Mrs. Dorothy Canfield Fisher (vice chairman), novelist and educational authority Arlington, Vt.

Walt Disney (vice chairman), motion-picture producer, Hollywood, Calif.

Robert L. Johnson (vice chairman), president, Temple University, Philadelphia, Pa.; chairman, Citizen's Committee on the Hoover Report.

Harold A. Rich (treasurer), vice president, Chase National Bank, New York City.

Melvyn Gorden Lowenstein (secretary), attorney, New York City.

Mrs. Jack B. Fahy (executive director), American Parents Committee.

BOARD OF DIRECTORS

David Baird, vice president of Marsh & McLennan, real-estate firm; president of the Baird Foundation and the Lansing Foundation.

George V. Denny, Jr., president, Town Hall, Inc., New York; moderator, Town Meeting of the Air.

Dr. Hildegard Durfee, child psychologist; former supervisor of WPA Rhode Island nursery schools.

Maximillian Elser, president, Elser & Cothran, public-relations firm.

Arthur C. Fatt, executive vice president, Grey Advertising Agency, New York.

Dr. Benjamin Fine, education editor of the New York Times.

Max Grant, president of Money Meters, Inc., Providence, R. I.; active in philanthropic work.
Carl A. Gray, president of the Grenby Manufacturing Co., Plainville, Conn., member of Community Citizen's Committee on Education.
Shelby M. Harrison, former general director of the Russell Sage Foundation; executive committee, National Social Welfare Assembly; board member, Child Welfare League of America.
Mrs. George J. Hecht, board member, New York Society for Crippled Children; education division, Manhattan section of Girl Scouts.
Lowell Iberg, associate general director of the State Charities Aid Association, New York City.
Dr. Mary Fisher Langmuir, president of the Child Study Association of America; head of the department of child study, Vassar College.
Alden Lillywhite, vice chairman, Arlington, Va., Citizen's Committee on Public Schools.
Mrs. Clara Savage Littledale, editor, Parents' Magazine.
Mrs. Oswald B. Lord, board member of Community Chests and Council, Inc.; former chairman, women's division, National War Fund.
Dr. Alfred J. Marrow, president, Harwood Manufacturing Co., New York.
Dr. George S. Mitchell, executive director, Southern Regional Council.
George W. Naumburg, chairman of the finance committee, Federation of Jewish Philanthropies, New York.
Mrs. Dorothy Norman, columnist, New York Post.
Dr. John K. Norton, professor of education, Teachers College, Columbia University; chairman of the committee of relations with government, American Council of Education.
Basil O'Connor, president of the National Foundation for Infantile Paralysis; former president of American Red Cross.
Col. Harold Riegelman, partner of Nordinger, Riegelman & Benetar, law firm.
Oscar V. Rose, superintendent of schools of Midwest City, Okla.; and unofficial chairman of about 400 school superintendents in areas where Federal Government owns a large part of taxable land.
Mrs. Sam Rosenman, former chairman of National Housing Conference.
Mrs. Reeve Schley, member of the executive committee of the Republican National Committee.
Dr. Robert Sears, director, Laboratory of Human Development, Harvard University.
Dr. George N. Shuster, president of Hunter College, New York.
Prof. L. Joseph Stone, department of child study, Vassar College.
Mrs. De Forest Van Slyck, former executive of the National Association of Junior Leagues.
Mrs. Arthur White, member Board of Mental Hygiene, New Jersey.
Mrs. Gertrude Folks Zimand, general secretary of the National Child Labor Committee.

Mrs. FAHY. The American Parents Committee has asked to testify on the social-security provisions affecting children. We are deeply concerned with the inadequate care for our ever-increasing child population. Studies made by our committee have pointed up the seriousness of the situation.

I also speak as a mother—an employed mother—who can appreciate the many problems of raising a child—psychological as well as financial. My personal experience, as well as my experience with the American Parents Committee, have brought into sharp focus the many problems of American mothers.

The House committee report states that—

> once the basic system (of social security) is firmly established, any remaining special needs of particular groups can be assessed and met in an orderly fashion

The "particular group" for which I speak today is a large and important group—America's 46,000,000 children.

The bill passed by the House last session, H. R. 6000, which extends certain provisions of the Social Security Act, is most encouraging.

But I believe, both as executive director of the American Parents Committee and as a mother—that the provisions have not gone far enough for our children. As a matter of fact, in some instances children have been overlooked. There are great gaps in terms of the basic services necessary to protect the health and welfare of American children. And it is these gaps, six of them in number, that the American Parents Committee is requesting to be filled—through approval in your committee of the extensions made in the House—and the following additional provisions affecting children:

First of these gaps concerns title V of the act—the services for maternal and child health and crippled children. These services are untouched in H. R. 6000.

The American Parents Committee is requesting an appropriation of $22,000,000 for grants-in-aid to maternal and child-health services for the next fiscal year. This is double the amount of the current appropriation.

Since 1935 the Federal appropriations under the Social Security Act have been enormously helpful in saving the lives of mothers and children. Maternal mortality has dropped 77 percent and infant mortality 32.2 percent. These facts indicate that they can be reduced even further. And the ever-increasing birth rate and higher costs substantiate the need for this increased appropriation.

We have made a study of the needs of the maternal and child-health services program which have not been met. Twenty-two States have reported that they have had to curtail their services during this past year due to lack of funds. At no time, we have discovered, has any State been able to furnish State-wide maternal and child-health services. This is a life-and-death matter—the lives of many mothers and babies could be saved. Without increased aid they are going to die.

I would like to speak briefly about this program in the State of Georgia because I know, Mr. Chairman, you are vitally interested in these services. The health officer of Georgia reports that—

> Georgia has 159 counties, less than 50 of which have organized health departments served by medical health officers. The blueprint toward which they have been working calls for 57 health districts of 2 or more counties each.. The critical shortage of medical, nursing, and sanitation personnel and more recently the lack of funds, are greatly handicapping progress toward this objective.

This means there are not enough well-child clinics, that there is inadequate protection through immunization, as well as a lack of other health services affecting mothers and children.

There are still many midwives practicing in Georgia. Additional funds for the MCH program would mean further training in a nurse-midwife program which could reduce the high infant and maternal mortality rates.

Another important phase of the MCH program is the one dealing with premature babies. Fifty percent of the infant deaths during the first month of life are due to prematurity. And yet, according to the United States Children's Bureau, one-third to one-half of these infants die needlessly.

In the State of Colorado, there is a very good premature research center at the University of Denver. Dr. Henry L. Gordon and Dr. Alfred Washburn are in charge of it. This is used as a model for all the surrounding States. They have asked for funds from the Chil-

dren's Bureau, which has given them $50,000 this year. The $50,000 grant, however, was not sufficient, and they are requesting another $25,000 before the fiscal year finishes.

I have just recently visited a modern hospital here in Washington with clinical facilities for premature babies. I saw for myself what this care and protection means to these infants. After a few weeks of special care in an incubator their proud mothers and fathers come to collect normal, bouncing babies. It is inhuman that any of these babies should die needlessly—and shamefully so that so many should.

High maternal and infant death rates are not necessarily confined to the South. But in contrast I would like to include at this point a study made of the State of Illinois. In 1946, Illinois had a smaller percentage of white maternal deaths than did 28 States. Illinois provides that home-delivery-service nurses must be graduate registered nurses in the State, with special preparation in an institute on home-delivery technics and procedures.

Of the infants born alive annually in Illinois, approximately 5 percent are of premature-birth weight and development. For the most part, each of these infants is a problem. Without special medical and nursing care, the Children's Bureau estimates that 50 percent of them would succumb. But, with adequate care, the Bureau reports that they have reason to believe that as many as 86 percent might be saved.

I do not necessarily mean to contrast the North with the South. My point is that more lives of mothers and babies can be saved in Illinois, as well as in Georgia and every other State, through an increased appropriation for "Maternal and child-health services." Section 502 of the act provides a flat sum be allotted to each State with additional funds granted on the basis of the number of live births as well as the financial need of the State. This provision assures that the State of Georgia, with its higher birth rate and lower per capita income, receives more funds than the State of Illinois with its lower birth rate and higher per capita income.

Part 2 of title V of the act provides grants to the States on a matching basis for "Cripped children's services." The American Parents Committee is requesting an appropriation of $22,500,000, which is triple the amount currently authorized.

Since enactment of the Social Security Act in 1935, great progress has been made by the States in discovering and aiding children in need of orthopedic and plastic treatment. But there are many, many more crippled children than these—and perhaps among our most neglected are the chronically handicapped. We have all seen the frustrations and sorrow written on the faces of parents of these children. Their treatment is so often financially impossible for the fathers and mothers, and they give up in hopeless despair of being able to help them. Yet, many of these so-called hopeless cases can be rehabilitated and can be developed into useful, productive citizens in our society.

More than 22,000 crippled children were on waiting lists for treatment, 37 States reported in April of 1948. These children had been diagnosed as needing treatment, but their parents could not afford it. And they were put on waiting lists. By December 1948, the States reported that this number had increased to 31,400. Thirty-six States have reported that they have had to curtail their present

programs by sending children home from hospitals, discontinuing clinics, and other devices which deny care to children. Picture in your mind's eye, having to turn away a crippled child. Aside from the humanitarian point of view, which is a compelling one, there is the long-range point of view in terms of developing these children and helping them toward useful, self-supporting futures.

A good example of the rehabilitation done under the Crippled Children's Service is the cerebral-palsy program. Children with spastic type of cerebral palsy have been helped to the point where they can attend school, hold down responsible jobs, and even drive an automobile.

This is the kind of letter received by the Children's Bureau as reported in its testimony last session when they were asking for an emergency grant for crippled children.

"I have a 7-year-old cerebral-palsy son," writes a mother in Baltimore, Md. "He does not walk or talk. It would cost $3,000 to send my son to school a year; that is, if he would be one of the selected. My husband's salary is $3,000 a year."

And here's another one from a father in Pontiac, Mich.:

"A year ago, on June 20, 1947, my wife gave birth to our second child. She was born with an open spine. The doctor in attendance called in a nerve specialist, but he shook his head and said, 'There is no help for her.'

"My wife was not strong enough to carry this extra burden in addition to caring for our year-old son. I applied to Lapeer, Mich., a State institution, but was told when her number (750) came up we would be notified. After 6 months I applied again and was told to write to Coldwater, Mich. I received a very courteous reply, but they, too, have no room for our baby."

Not too long ago these children were considered hopeless cases. Spastics, they were called, a daily heart-wrenching sight for their families; an inducement for pity from strangers. But it has been discovered that these children can become useful citizens and take their rightful place in the community. Can we deny aid to these children—and commit them to an embittered, helpless, and miserable existence? I earnestly urge that this committee place itself on record in favor of aid to America's crippled children and increase the appropriation to $22,500,000. Let us not doom these children to wretched, useless lives, but try to rehabilitate them to useful, productive ones. The investment is large in dollars but it is infinitely larger in human values.

The third gap we would like to see filled is in title IV of the act—"Aid to dependent children." There are a large number of children in the United States who do not have enough food, clothing, nor adequate shelter. If there is not enough income to meet the family needs, untold hardships are inflicted on these children. The present act and H. R. 6000 approved by the House of Representatives provide grants-in-aid to the States on a matching basis for needy children whose fathers are absent from the home because of death, divorce, or desertion, or if they are incapacitated. The American Parents Committee supports the request to broaden the definition of a "dependent child" to include needy children of the unemployed father. Although it is true that children of unemployed fathers do benefit somewhat through unemployment insurance, the average duration of benefits is only 21 weeks, and the average payment under unemployment in-

surance (in October 1949) was only $21 per week, regardless of the number of children.

With present living costs, there could be nothing saved after the 21 weeks' compensation ended.

Senator MILLIKIN. Once those periods of benefit in the unemployment field have passed, then do most of those people pass into public assistance?

Mrs. FAHY. They have to go on public welfare of the community. There is no Federal fund for needy children.

Senator MILLIKIN. I was referring to the father.

Mrs. FAHY. No. If the father is in the home, they can get nothing under the "Aid to needy children" program.

With present living costs, there could be nothing saved after the 21 weeks' compensation ended. Nor would there be any lush living on this sum. This is scarcely enough for a family with one child. But what if he has five children to feed, clothe, and maintain shelter—the basic essentials for all children. Any child without them is a needy child. Without provision for these needy children, an unemployed father, desperate with worry over his family's hunger, may be forced to desert them in order that his children may eat. I am sure it is no one's intention to bring about the disintegration of family life—nor is it anyone's intention to contend that aid is forthcoming if the unemployed father packs up and leaves. But that is what can happen. The whole objective of the "Aid to dependent children" program is to keep families together, providing financial aid when necessary to maintain a child in his own home.

In extending the "Aid to dependent children" program to include children of fathers who are unemployed, there would be no new problems in terms of administration, inasmuch as the same State and local agencies would administer this program with their experience of the past 14 years.

In reply to our request, the Federal Security Agency has stated that the estimated cost to include needy children of unemployed fathers and at the same time make the other changes in title IV (primarily changes in the formula determining the Federal share of State expenditures) would be approximately $180,000,000 a year. This figure is subject to modification as economic conditions change or as the social-insurance system is modified. If unemployment-insurance coverage should be broadened, of course, the estimated cost would be reduced.

There are approximately 25,000,000 workers who are not covered under the State-Federal unemployment-insurance system, which means that the workers when unemployed will need financial aid in order to feed their families.

We are also advocating, as the fourth gap we want filled, that the provision in H. R. 6000 requiring residence requirement of 1 year before children can receive help under the "Aid to dependent children" program be rescinded. The American people are given to great population shifts. In 1 year ending April 1948, approximately 4,500,000 families moved to a different State. We cannot restrict this movement, nor should we, nor can we deny needy children eligibility for aid because their families have moved.

The fifth gap which we are requesting be filled is included in H. R. 6000 under the permanent- and total-disability provisions. H. R.

6000 provides benefits for workers in covered employment who, after specified periods of employment, become permanently and totally disabled prior to reaching 65.

The American Parents Committee is requesting that this provision be amended to include benefits for dependent children and mothers under the permanent- and total-disability provisions.

Here again we have the case of the dependent child and the necessity of keeping the family together. The presence of the mother in the home is essential for the proper care and guidance of young children. Disability insurance, like unemployment compensation, bears no relation to the number of dependents. A family of five will soon exhaust its savings, if any; and we urge that benefits be included for the needy dependent children and mothers of the disabled.

Senator MILLIKIN. May I interrupt, with just one question?

On the last page that you were reading, there is a suggestion that H. R. 6000 should be extended to include benefits for needy dependent children and mothers, instead of limiting benefits to the disabled workers.

Are you suggesting a means test for needy mothers and children under this program?

Mrs. FAHY. I am never in favor of a means test and certainly not in insurance programs; however, it is required under the law in assistance.

Senator MILLIKIN. Would you favor, if anything were done about this legislatively, making it clear that a means test shall not be applied?

Mrs. FAHY. I would, sir.

Senator MILLIKIN. And pay the bill on the universal basis?

Mrs. FAHY. That is right.

The last gap which we would like to see filled and equally as important in terms of our children is in part 3 of title V—"Child-welfare services."

The American Parents Committee supports the administration's request for an appropriation of $12,000,000 for the next fiscal year to carry out this program. H. R. 6000 provides for amending part 3 of this title by increasing the grants from 3.5 million dollars to 7.5 million dollars annually and authorizing the use of Federal funds to permit the return of runaway children who cross State lines, when this expense cannot otherwise be met.

In asking for $12,000,000 for this program, I would like first to point out the increased child population in the United States which jumped from 41,000,000 in 1940 to 46,000,000 in 1948. With this increased child population, it is logical to assume that we have a proportionate increase in problems of children and parent-child relationships.

One of the important phases of this program is that dealing with juvenile delinquency. Millions of youngsters every year get into trouble. Whether it is the 8-year-old caught robbing candy stands, the 12-year-old breaking windows, or the 15-year-old swiping a car for a merry joyride. These children are not necessarily potential criminals. They are not necessarily delinquents, particularly in the younger age group. If they develop into hardened criminals, we may well blame ourselves for being delinquent in not finding the source of their problems. The shocking all-time high of juvenile delinquency during the war has eased off somewhat, but there are

still too many children showing up in the courts each year to permit us to overlook them as just "bad kids." It would be easy just to classify them all that way and then go to work on one cure for "bad kids." But each problem is different, and expert, professional and patient guidance and care are needed to help the so-called bad kids from really going bad.

An increased appropriation would mean additional expert staff people to delve into the background of these youngsters and work out some kind of practical solution to keep them from eventual social disgrace and perhaps prison.

Ruth Gilpin, associate professor of social work at the University of North Carolina, writing in the Annals of the American Academy of Political and Social Science, points up the need for case workers for delinquent children. She says:

> As much as the case worker might like to be able to establish definite and infallible criteria for the selection of a particular kind of care for a delinquent child (or any child) he has discovered that he can find none. It has not been possible to describe the child or the family situation which will fit into a static scheme of evaluation. For example, should the case worker dare to operate on the theory that the child who is rejected at home, and therefore getting into trouble, is the one who can live comfortably in another's home, he would the very next day come upon the lad who, rejected at home, fights a continual battle to win love and recognition from his parents. A strange set of parents simply could not be substitutes.

The American Parents Committee believes that delinquent children and those with special behavior problems are entitled to skilled and expert counsel. The millions of dollars spent on maintaining jails and institutions for children could be reduced if action is taken before the delinquent turns into an incurable thief or murderer.

Child adoption is another important part of this program which should be expanded for the benefit of both prospective parents and the child. We have read many times in our newspapers of the heartbreaking struggle over children; a young mother who agrees to part with her child and 3 years later wants him back. The foster parents have come to think of him as their own—their love is just as great as if he were—and the child is caught in the middle. Adequate adoption services throughout the country—skilled case workers, to follow through with legal procedures according to law—could avoid much of this stress and strain on all the parties involved. Black-market adoptions of children are a blight on our child services—a disgrace to our democratic society and a threat to both the real parents, the foster parents and the innocent child who is sold for a price. The increased appropriation would provide the adoption service that is needed.

I would like to report a little incident very close to me which points up the need for a skilled welfare worker. The woman who takes care of my little boy during the day while I work is a widow with five children. She was referred to the department of welfare early last December to discuss her problems in her own home. She wasn't able to make ends meet. Should she give up her house because her payments were getting behind? The earliest appointment she could get with a case worker was January 25, and after sitting around in the office all afternoon—my young son in tow—she had to leave before her history was taken. Her next appointment is scheduled for March 10. Meanwhile, her problems mount, and there is nothing to do but wait. Here is a woman in need of skilled advice, someone

trained to sit down, talk things over and advise her on what is best. But we do not have enough welfare workers—because there are not enough funds to pay them—to handle this case. If my housekeeper is being put off for 3 months, you can appreciate, I am sure, that there are many, many more in her position with emergency problems that need immediate advice.

These, gentlemen, are the gaps which we see in the Social Security Act which affect American children. We urge that your committee take action to see that these gaps are closed. Not only would millions of children benefit by such action, but the benefits to this Nation would be immeasurable.

The CHAIRMAN. Are there any questions?

If not, we thank you very much, Mrs. Fahy, for your appearance.

Mrs. FAHY. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Blair?

Mrs. PURNELL. I am speaking in place of Mr. Blair, who is ill, Mr. Chairman.

I am Mrs. Lena Purnell.

The CHAIRMAN. You are Mrs. Purnell from Amherst, Mass.

STATEMENT OF MRS. LENA L. PURNELL, NATIONAL CHAIRMAN, NATIONAL CONSTITUTIONAL COUNCIL, AND TRUSTEE, COMMITTEE FOR OLD AGE RETIREMENT, AMHERST, MASS.

Mrs. PURNELL. Yes, Senator. I am Mrs. Lena L. Purnell, national chairman of the National Constitutional Council and trustee of the Committee on Old Age Retirement, and my address is 10 Tyler Place, Amherst, Mass.

Mr. Chairman and gentlemen of this committee, at this time I would like to express the sincere appreciation of the Committee for Old Age Retirement, of the National Constitutional Council, and of "we, the people" for the privilege extended to me to contribute our suggestions at this discussion of the basic inequities inherent in our dual system of old-age assistance.

Our present Social Security Act can no longer be termed an experiment, it is an arm of the Government that is ever present and reaches into every home in our Nation. It insures, to a limited degree, the health, happiness, and security of all of "we, the people."

There have been numerous hearings, at considerable expense to our taxpayers, for the purpose of correcting this faulty legislation. All have been worthy, with this main objective in view, to promote the common welfare of our Nation through our elected representatives. In spite of the sincere efforts of our welfare officials, both State and National, this program is still far from satisfactory. If it were not, we would not be here today. I do feel, however, that we are still making progress.

The suggestions I am about to make will be few and concise and, I believe, worthy of your careful consideration. They are basic and do not attempt to deal with detail or administration. We shall leave this to the wiser heads of our Senate Finance Committee, to those who have a better understanding of the issues involved, and the capacity of our national leaders to cope with them.

At the moment we are grateful to, and mindful of the wisdom of, our predecessors who under article 1 of our so-called Bill of Rights

insured us the right to petition this honorable gathering of our statesmen on our own behalf, making this our privilege and inherent right under the Constitution of the United States of America. We shall strive not to abuse them.

It is the expressed judgment of the Supreme Court of the United States that the issue involved in the successful administration of welfare program is, and I quote, "of national scope," and I now refer you to the Supreme Court's findings in the case of *Helvering* v. *Davis* (301 U. S. 619). We are heartily in accord with this view and therefore recommend the following changes in our present social-security structure during the legislation now pending:

1. The abolition of our present dual system—State and National. The establishment of a uniform Federal old-age pension system whose sole authority shall be vested in, or within, our Federal Government.

2. The eradication of the means test, whereby need and resources are the prime requisites for eligibility for benefits under this act. We would have established only an age and a citizenship test for those who apply for aid.

3. Our organizations, the Committee for Old Age Retirement, together with the many other old-age pension groups now affiliated under the name of the National Constitutional Council, are seeking to have established a Federal old-age pension of $100 per month to every citizen of the United States 60 years of age and over, regardless of need or resources, regardless of race, creed, or politics, assessments for the same to be levied, controlled, and paid to recipients by the Federal Government direct, independent of any State's right to intervene therein in its distribution or disposal.

4. We recommend that such payments start on the date of certification of the individual's eligibility and that, owing to the present high cost of living, they should not be less than $100 per month, in conformity with the labor pensions already granted. We admit having made no definite estimate of the cost—these facts are hard to come by—therefore the monthly payments might of necessity have to be pared down to balance with existing revenue intake under this program.

5. We propose all retirements, insurance, and welfare programs be gradually assimilated by the Federal Government in order to aid in eliminating the high cost for directors and investigators which eat into the savings of the insured, necessitating a lesser annuity.

6. We wish to submit to the members of this committee the following suggestion:

That the present social security bill No. H. R. 6000 be amended to cover the foregoing recommendations for national guarantied security, which will be in conformity with the Constitution of the United States, before being enacted into law by the House or Senate during the present session of the Eighty-first Congress.

7. We protest the present Social Security Act as being unconstitutional, as it is both preferential and discriminatory toward our aged people. We protest again the passage of the new social security bill 6000 upon precisely the same grounds. It is unconstitutional, as it once more serves to divide "we, the people" as a whole.

I have tried to state briefly and to the point the plea of our petitioners. We believe that our suggestions will be granted the same consideration given to others.

I am prepared for repercussions upon this subject, as many of you may regard these suggestions as a still deeper venture into socialism, but we believe it to be the common-sense approach to an extremely difficult problem now confronting our national leaders. As representatives of our pension organizations, we are motivated in the action we are taking because we have been in a position to observe at first hand the want and fear of our aged citizens and to fully realize the total inadequacy of the present dual program.

Our State administrators have labored conscientiously, but the load is too heavy. It has become a Federal obligation which the Federal Government assumed with the passage of the first Social Security Act in August 1935.

I would like to add—and this is addressed to every Senator present—your constituents are not rebelling so much against their burden of taxation as they are against its unequal distribution.

I challenge the Senate Finance Committee on having produced the document under H. R. 6000 called for by President Truman under his 12-point program, and I quote:

ART. 2. We believe that it is the Federal Government's obligation under the Constitution to promote the general welfare of all our people—not just a privileged few.

And again:

ART. 7. We believe that old people and the disabled should have an assured income to keep them from being dependent on charity.

And the closing point of his 12-point program:

We believe that all Americans are entitled to equal rights and equal opportunities under law, and to equal participation in our national life, free from fear or discrimination.

We protest that the bill H. R. 6000 does not cover President Truman's 12-point program.

I thank you.

The CHAIRMAN. Thank you very much, Mrs. Purnell.

Are there any questions?

If not, we appreciate your appearance and thank you very much.

Mrs. PURNELL. Thank you, Mr. Chairman.

The CHAIRMAN. Without objection, we will place in the record at this point a statement by Mr. Claude A. Blair, of the National Committee for Old Age Retirement, and Mr. William H. McMasters, of National Old Age Pensions, Inc.

(The statements are as follows:)

STATEMENT OF CLAUDE A. BLAIR, CHAIRMAN ON STATE AND NATIONAL AFFAIRS, NATIONAL COMMITTEE FOR OLD-AGE RETIREMENT

Mr. Chairman and gentlemen of the committee, the public in general wish me to express their appreciation for extending the privilege to appear before your body in this great cause of guaranteed security and the constitutional rights of "we, the people" as a whole.

It is with the greatest of disappointment that I am unable to appear before the Senate Finance Committee in person, as I have given my life to help all Members of Congress, Government departments and individuals. The recommendations and suggestions may have had some bearing in arriving to the solution in which the United States Senate Resolution No. 141 under the requirement of the Constitution has been drawn into this picture.

It is our firm belief we have reached a turning point in all Government legislation, and we hope that the coverage of benefits and taxes with the necessary legislation to serve the interest of all can and will make a better confidence to

work together as a whole of the people and not of the States. We have just repeated the law of the land.

DECLARATION OF INDEPENDENCE—UNITED STATES CONSTITUTION—UNITED STATES SUPREME COURT—LAW OF THE LAND

In the Constitution which we are attaching for reference you will note in May 1937, *Helvering* v. *Davis*, the Supreme Court ruled that old-age benefits that a power which is national only can serve the interest of all. The question is why are not following the ruling.

The highest of court officials have advised "we, the people" to get busy. They have given authority on rules. Only a judge can rule on laws. Also, they have placed the spotlight on unfairness, and it is stated law not dead, but asleep.

Information from States shows that the pension question should be pursued on a national level, as it is impossible for individual States to adopt a program.

The general public plainly express themselves that the United States Senate made an error when they originated what is now called social security knowing that the Constitution calls for guaranteed security. The first Senate Advisory Council recommended eliminating the means test. The Constitution, as you will note, has the following to say: Congress cannot delegate their power of lawmaking to any executive, department, or State, which should rule out the proposed State welfare, and administered by obstructing justice.

The United States census records of 1941 show 165,000 different systems of pensions throughout the Nation. We must agree no such legislation can be handled in a lifetime. The Senate Advisory Council members say private pensions is not the answer to the problem. With the passage of the Security Act, the Federal Government assumed the responsibility.

The President of the United States of America statement which accompanies H. R. 6000 reads as follows: The present coverage of the social-security laws is altogether inadequate and benefit payments are too low.

There seems to be in Congress those who think about all there is under H. R. 6000 is old-age survivors insurance, and very little attention if any should be given to the unconstitutional dividing of "we, the people" who should be banded together as a whole. In an item of January 16, 1950, of the Boston Daily Record, both Democrats and Republicans speak of broader coverage. We, the people, want a national pension that serves the interest of all, and they want to make it self-supporting.

The people do not care about records of 1955, 1960 and 1975. They are interested in reducing the taxes and having their own Representatives who are now receiving grants of both old-age survivors insurance and assistance, the Advisory Council that has cost the taxpayers $25,000 in the Senate and more in the House recommend correction of weakness in the responsibility and the administration program as there are wide differences with gaps. The best guaranty is a right of protection earned, and must include all aged, and it should be administered now. Responsibility and the methods of meeting the requirements have failed. The advisory report, readjustments are urgent, social security ignores adequate support. Hidden means and fear has deprived many people of their guaranteed security. The advisory council report. There has not been sufficient food, clothing, medical attention, and other bare necessities of life. Members of the council believe Federal grants should be as generous as those of other categories.

May we recommend that Mrs. Lena L. Purnell, chairman of the National Constitutional Council of America, and her staff be appointed to sit in with the lawmakers and the Federal Security Agency administration to iron out this great problem and report back so that Resolution 141 under requirement of the Constitution and the legislation can be acted on within the next 30 days without asking any increased appropriations or taxation, and to give satisfaction beneficial to all.

Respectfully yours,

CLAUDE A. BLAIR.
Chairman on State and National Affairs, and Constitutional Advisor, National Committee for Old Age Retirement Coast to Coast.

P. S.—It will be appreciated if in my absence this report can be read into the records.

A REPORT TO THE SENATE COMMITTEE ON FINANCE FROM THE ADVISORY COUNCIL ON SOCIAL SECURITY

SENATE RESOLUTION 141

(80th Cong., 1st sess., July 23, 1947)

Resolved, That the Committee on Finance, or any duly constituted subcommittee thereof, is authorized and directed to make a full and complete investigation of old-age and survivors insurance and all other aspects of the existing social-security program, particularly in respect to coverage, benefits, and taxes related thereto, for the purpose of assisting the Senate in dealing with legislation relating to social security hereafter originating in the House of Representatives under requirement of the Constitution.

The Advisory Council makes it plain that not all of the men and the women are eligible or protected.

Methods of preventing dependency have failed.

Public-assistance payments have serious limitations.

Grants made from general taxation as of need.

Old-age assistance can be increased without State cost.

Old-age assistance will increase because of Federal law.

Facts, changes in public assistance program is of serious concern.

Basic security, pressure for more Federal funds.

Responsibility of public assistance belongs to Federal Government.

With the passage of the Social Security Act, the Federal Government assumed the responsibility for the aged.

A special investigation of Federal grants is worthy of consideration.

The program for 1940 cost $493,900,000. Why did it drop to $104,800,000 in 1945? What about affecting community life and business?

In 1940 there were 333,000 families receiving aid, and in 1945 255,000 families. What is the answer?

The number of broken homes and families not given.

The council believes that there are many gaps.

The social security ignores need. What about the State administration?

The council feels that there is immediate requirement to eliminate gaps and to correct the assistance of the Social Security Act.

More extensive Federal participation and readjustments urgent.

The council recommendations are to give assistance adequate support by the Federal Government.

The council feels that $340,000,000 can cover cost effected by old age.

As long as the means are lacking, many requirements remain hidden.

The council believes that Public Law 642 of the Federal Government should supply three-fourths of the monthly payments.

The committee making this check believes that any difference required in the monthly payments would be willingly paid by the general public banded together as a whole.

Important: There is a wide discretion in eligibility, and the council believes the Federal Government should guarantee prudent consideration payments and that grants should be uniform.

The council wishes to express only a sound method to preserve the Federal system lies in the readjustment, the principles, responsibility, and funds necessary to finance, careful study, self-sufficiency, and harmony required for health and decency in the Federal financing of the old-age assistance on a basis whereby the Federal Government will pay the total cost.

While the Council believes in flexible methods, the Constitution is not flexible and cannot be changed.

CONSTITUTIONAL REMINDERS

Congress cannot delegate their power of lawmaking to any executive, department, or State. Note State laws.

It is punishable to obstruct the administration of justice.

Forbids Congress from infringing upon rights of the people.

Protects people against intrusion in the homes. Note what the States and local investigators are doing.

Guarantees the security of the people. The word "social" should be changed to "Guaranteed Security Act."

The people were determined that their Government should not have the power to invade their privacy. Note what the investigarors are doing.

Protects against double jeopardy. What about double taxation and demand for property liens?

Secures the right upon Congress and not the States.

Guarantees the right of citizens. What about representation on the boards and councils?

CONSTITUTIONAL REMINDER AND GUARANTIES

Provides rights shall not be construed to deny rights by the people.

The Government has no power to interfere with rights of the people. What about the House refusal to allow debate? Was not such a method encroachment by Congress?

Are not the State and local investigators trespassing under sanction of the constitutional statute?

Are not the States prohibited from abridging the immunities of the citizens by denying Federal grants and equal protection of laws?

INDIVIDUAL RIGHTS

What part of the Constitution limits a person's savings, earnings, ownings, or deprives a person from working at any age or if receiving a paid protection?

UNITED STATES SUPREME COURT

Helvering v. *Davis* (301 U. S. 619) May 1937.

OLD-AGE BENEFITS

The problem is plainly national in area and dimensions. Laws of the States cannot deal with it effectively. Only a power that is national can serve the interest of all.

Mrs. Lena L. Purnell,
Chairman, National Constitutional Council.
Claude A. Blair,
Chairman on State and National Affairs, National Committee for Old Age Retirement, Coast to Coast.

Statement of William H. McMasters, of Massachusetts

Mr. Chairman and gentlemen of the committee, my name is William H McMasters, of 448 Broadway, Cambridge, Mass. I am president of National Old-Age Pensions, Inc., and vice chairman of National Pension Committee.

I have long been an advocate of a straight national pension for qualified citizens reaching the age of 60 years. Despite the many legislative efforts that have been made to circumvent this basic idea, nationally and in the States, the ultimate trend toward that goal has never shifted. Little by little the old-age assistance title of the Social Security Act has been broadened until today the Federal contributions overmatch that of practically every State in the case loads. This is not so in Colorado, Washington or in much-publicized California. Here, we see the States outmatching the Federal Government.

I feel that it rests with this committee to suggest a simplification of the whole problem of old-age pensions by having it handled entirely by the Federal Government. If this step is taken, the present labor-management troubles with respect to pensions will be solved for all time. The democratic doctrine of equality will supplant the present inequality among the States, which exists in the old-age assistance title of the Social Security Act and in no other pension statutes. I feel that it is now time for the elderly citizens of the Nation to be treated the same in Mississippi as in Massachusetts, just as soldiers, postal employees, civil-service employees, and all others who benefit either from contributory or noncontributory systems designed to protect them against want in their old age.

The Chairman. We have one other witness, Mr. George H. McLain.

STATEMENT OF GEORGE H. McLAIN, CHAIRMAN, NATIONAL PENSION COMMITTEE, AND CHAIRMAN, BOARD OF TRUSTEES OF THE CALIFORNIA INSTITUTE OF SOCIAL WELFARE, LOS ANGELES, CALIF.

Mr. McLAIN. Yes, Mr. Chairman.

The CHAIRMAN. Have a seat, Mr. McLain, and identify yourself, please, sir, for the record.

You are chairman of the National Pension Committee?

Mr. McLAIN. My name is George H. McLain, of 1031 South Grand Avenue, Los Angeles, Calif. I appear before you as chairman of the National Pension Committee and as chairman of the board of trustees of the California Institute of Social Welfare.

One might describe my proposal in the following words:

Under my plan our Federal Government will replace the employer as the matching contributor for a single standard, uniform pension system that will embrace all our citizens and that will recognize but one requirement. That required to be need.

The keen observer has noted during the past few years the gradual establishment throughout our Nation of a special privileged group of pensioners reminiscent of class legislation of the most inequitable kind. I refer, of course, to Federal, State, county and city civil-service employees—judges, school teachers, policemen, firemen, et cetera—to employees of quasi governmental institutions, to public utility and railroad employees, to semiprivate and private corporate personnel, to members of our State and National legislative bodies, and to those now covered by the Federal Social Security Act.

While these groups participate under a contributory plan, the major portion of their pensions is underwritten by the general taxpayer, their security being thus provided and protected by special legislation which, in effect, comprises class legislation contrary to American tradition. Unfortunately, the bulk of our population who are most in need of a decent retirement system, by vocation, do not qualify for this special type of protection.

Housewives have just as reasonable a right to expect an adequate old-age security as any other person in business or in the special privileged pension class. So does the generation which precedes the provisions of the Social Security Act, and those who even today are not yet covered by it.

Through almost a decade of legislative and field work on pensions I have watched the problem of old-age security become more apparent until today we have a number of diversified retirement systems, largely inconsistent in provision and in adequacy and with a growing reflection upon our economic and social structure.

Major differences between labor and management today resolve themselves to the workers' increasing demands for security in their old age and managements' concern for their ability to finance such security on an equitable and economically feasible basis. Unless Congress acts upon an acceptable formula every business in the 48 States will have its problem of working out its own uncoordinated individual solution. If this is permitted to happen our country will be faced with thousands of unrelated pension plans, which actually will not comprise a real solution, and the task of straightening out such a

situation will merely be deferred to the ultimate day demanding solution.

I respectfully submit to you gentlemen, a single standard, uniform pension system that will embrace all our citizens and that will recognize but one requirement. That requirement to be need.

Senator MILLIKIN. Mr. Chairman, may I ask a question, please?

The CHAIRMAN. Yes, Senator.

Senator MILLIKIN. We certainly do have to consider the relationship between these private pensions and the job that is before us.

What would be your reaction to this: assuming that today we were able to pass a law of the kind that you are suggesting, what would prevent that from becoming a new plateau for new agitation for increased private pensions, and thus present a repetition of the same problem?

Mr. MCLAIN. I do not believe that we should have any other pension system, either private or governmental, but a single standard for all the people.

Senator MILLIKIN. Do you suggest that it would be possible to pass a law forbidding a private pension arrangement?

Mr. MCLAIN. No. But under my advocacy there would be hardly any need for a private pension. I don't think that people are necessarily looking for a pension in their old age. I think it is more a matter of security against destitution.

Senator MILLIKIN. Well, but of course none of these subjects is static. What we might conclude today is, let us assume, a $100 pension, universal. And let us assume that today we consider that as all right. These subjects are not static.

Mr. MCLAIN. That is correct.

Senator MILLIKIN. Next year, as I say, that might be used as merely a new springboard for a new series of private pension plans, and then the pressures and the problems of Congress would be just the same as before.

Mr. MCLAIN. I have never held to the philosophy of granting a pension as a matter of right. After all, of what value would a $100-a-month pension be to a millionaire? I also believe this to be little more than sound economics, as it will give a basic and concrete purchasing power to the people, who will recirculate the money as they receive it for the necessities of life.

Contribution should be made by everyone during their productive years. The employer, for instance, would be contributing only toward his own future pension if and when he needs it. In this proposed plan the Government will replace the employer as the matching contributor.

It is my considered opinion that the Federal Government should today be paying a pension of $75 per month to those who can prove they need it. Such recipients should be allowed an outside income, in addition, of a value of $30 per month. Where both man and wife qualify, this total monthly income within the pension and outside earning activity would total $210 per month—wholly consistent with the single limit of $105 each.

Senator MILLIKIN. May I ask if you have made any estimates of the cost of your proposal?

Mr. MCLAIN. No, Senator; I have not made any estimates of the cost of this plan. I am convinced that it would be much more economical than the proposals of the amendments to H. R. 6000, its present

cost, and also the cost of administering, and the payment of, our present various pension systems. I am making an estimate, though, of the plan.

Pensioners with no outside income or resources should be permitted an additional $30 per month, if needed, for medicines, health services, dentures, eyeglasses, orthopedic appliances, et cetera, such payment going directly to the vendor with the recipient retaining the right of selection. Hospitalization should be available to all recipients, and an adequate funeral benefit for a decent burial.

Age requirements should be flexible and in keeping with the times in which we live. Today, I don't think I'm far off the mark when I believe the age requirement for men should be 60 years and over and for women 55 years and over. A pensioner should be allowed to own a home and household furnishings, and $1,500 in other personal property. The act should include all presently aged persons who can meet the qualifications.

Senator MILLIKIN. Going back to your preceding remarks: If you had a universal pension, in time the pensioners would practically represent the taxpayers, would they not?

Mr. MCLAIN. Yes.

Senator MILLIKIN. They would be, roughly, the same.

Mr. MCLAIN. Yes.

Senator MILLIKIN. So that the pensioner as a contributor, as an employee contributor, would be paying his contributions, and then as a taxpayer would be paying for the Government's share of the contribution?

Mr. MCLAIN. That is right. It would be a spreading of the tax base.

Senator MILLIKIN. That gives you no difficulty?

Mr. MCLAIN. No. I believe that everyone would be willing to contribute toward their own security from destitution.

Senator MILLIKIN. I notice that you are suggesting that the time will not be far off until we have to reduce the retirement age to 60 for men and for women 55 years and over. Would that be a compulsory retirement?

Mr. MCLAIN. I am absolutely opposed to compulsory retirement. I believe that—if you will notice, I say: "during the productive years." I believe that a man and woman should be permitted to work as long as they wish. I believe it is essential to the welfare of our Nation that we have mature minds in places of business.

Senator MILLIKIN. We are finding ourselves in this kind of a position: There was a time when a grade-school education was the education that most people had, if that much. Now most people are aiming at at least a high-school education, and there is an expanding philosophy that almost everybody should have a college education. So you have an unproductive group at the first part of your scale, with a tendency to lengthen the period during which those who are in that group will be unproductive.

Now, then, when we move our old-age retirement ages down, as you suggest we may have to some day, are we not requiring a very narrow segment of our productive population to carry not only their immediate burdens but all of the burdens of that enlarging group at the beginning and the enlarging group which you suggest at the end? Will our economy be able to bear it, in other words?

Mr. McLAIN. I believe, Senator, that on the basis which I did not mention, that anyone would cease contributing as long as they were productive, as long as they had employment—I think it would probably balance itself.

Senator MILLIKIN. I don't follow you on that.

Mr. McLAIN. I say that I do not propose that anyone ever stop contributing to such a system.

Senator MILLIKIN. You would not suggest that a boy going to school would contribute, and you would not suggest that anyone that had retired contribute?

Mr. McLAIN. That is correct. I would not.

Senator MILLIKIN. So I repeat my point. With the pressures which you are suggesting at the far end of the scale and the pressures which are leading us to longer and longer periods of education, you are contracting the segment that must do the producing to pay the bills.

Mr. McLAIN. Yes; those who produce would pay the bills directly, in contribution, those who are working, and the over-all taxes from the general fund to make up the present employers' contribution.

Senator MILLIKIN. I have suggested in this hearing, and the chairman has stated that he is going to call witnesses in that connection, that we have reached the point, because of the increasing longevity of people, where we must give more attention to the problem of junking people in the industrial workers' field at a premature time, leading to the end point that all people should be permitted to work as long as they are able and willing to work and for as long a period of time as they are able and willing to work each day.

I have brought to the attention of the committee an experiment in England, where a factory has built a special building for their aged employees, who may be able to do only 1 hour or 2 or 3 hours of work a day, and the enormous stimulus to morale that that sort of an opportunity provides.

Have you given any thought to that?

Mr. McLAIN. A great deal, Senator. We find, today, under the public-assistance program as it deals with old-age assistance and blind assistance, that our present social-security provision which provides that all outside income, earnings, and resources have sentenced these people to idleness. And it is not good for their own morale, and it is certainly not good for the community.

Senator MILLIKIN. I want to make very clear that I am not thinking in terms of substituting their work as a substitution or reduction of their benefits. I am thinking of allowing them to continue to work for morale and self-respecting reasons, and also to hold up the production of this country that will be necessary to sustain any of these systems and all of the other things that we have ahead of us. In other words, we cannot afford to lose any part of the productivity of the Nation.

Mr. McLAIN. That is right.

Senator MILLIKIN. And if we keep contracting it, keep the people out of production for longer periods at one end, shorten the period at the other end, and do not find some way to keep maintaining a constantly increasing productivity, we will find our econonomy tied up like a pretzel.

Mr. McLAIN. Not only that, but the morale and the health of the individual—an elderly person is much better off if they can work and

do some kind of work, where they couldn't fit into regular industry. They could mow lawns. The elderly women could help in housework or act as baby sitters. Or the elderly person is part temporary work which is not competitive with labor, that is, those who are not any longer able to work and who desire to retire on a pension basis.

Senator MILLIKIN. I used to be, at least I was vaccinated as, a lawyer. And I know of cases where elderly lawyers with brilliant careers come to the office and act as counselors during the morning. They are sharp and keen during the morning, and they make great contributions to the law firms which have the benefit of counsel of that kind. But they frankly admit that they fag off as the day grows longer.

Well, it seems to me that it is a crime to lose, either professionally or in the general worker field, the services of people who are able to work and who want to work.

Mr. MCLAIN. I believe that we have found during the war where most elderly people who had the opportunity and the health were working in the war plants at some type of work; and as you say, Senator, I believe it is a crime to sentence any group of people to idleness. And only by age do you get the experience and the knowledge of life, and it is very valuable for not only our present generation but our future generations to come.

In summation, while this plan is simple I believe that at the same time it is the most logical and practical yet proposed. I have traveled some 3,000 miles with the sincere hope that you gentlemen will accept this proposal in the light in which it is offered and that it will receive your best consideration. My economics and my philosophy are based upon the conviction that our aged—as members of a Christian nation—are entitled to human dignity and not charity as their birthright.

And I might add, gentlemen, that the categorical aid, such as blindness and physically handicapped, could be included as a categorical aid, as well as the needy children, and unemployment relief. I believe that unemployment relief—while I believe that all of these other aids that I have mentioned should be administered by the Government, I believe that unemployment relief should be administered by the State with a Federal participation program.

Senator BUTLER. Mr. McLain, at the opening of your statement you said, I think, that you are chairman of the National Pension Committee.

Mr. MCLAIN. Yes, sir.

Senator BUTLER. I was just wondering if you are the same McLain about whom a very interesting article appeared recently in Look magazine.

Mr. MCLAIN. Yes, Senator, I am. You will notice that my glasses are not painted on. They are live.

The CHAIRMAN. Mr. Cohen, could you shed any light on the initial primary cost of this proposal, $75 per month plus $30 per month to be earned in outside employment, and when not earned to be extended by the Government, for medical and general health services, and so forth, at the age of 60 for men and 55 for women?

Mr. COHEN. No, Senator; not right now.

The CHAIRMAN. Have you any figures on how many men in the United States now are 60 years old?

Mr. COHEN. Yes.

The CHAIRMAN. And the number of women who are 55 years old?

Mr. COHEN. Yes; we do. We could give you some figures on that. I think roughly, as I recollect, there are about half again as many people between 60 and 65 as there are 65 and over. There is a substantial increase between those 5 years.

The CHAIRMAN. Within that bracket. Then could you now give us the answers as to how many men in the country are 60 years old and how many women are 55?

Mr. COHEN. I don't have it with me right at the second, but we can supply it, Senator.

The CHAIRMAN. I would be glad if you would.

(The information to be supplied follows:)

Estimated age population of the United States

Calendar year	Males 65 and over, females 65 and over	Males 65 and over, females 60 and over	Males 60 and over, females 60 and over	Males 60 and over, females 55 and over
1950	11.5	14.6	17.6	21.3
1955	12.0	16.2	19.4	24.3
1960	14.4	18.0	21.3	25.8
1965	15.8	19.7	24.2	27.7
1970	17.2	21.4	25.1	30.0
1975	18.7	23.2	27.2	32.3

The CHAIRMAN. Any questions?

Senator Millikin, do you have any further questions?

That completes the hearing this morning.

Thank you very much for you appearance, sir.

Mr. MCLAIN. I wish to thank you, gentlemen, for the opportunity.

The CHAIRMAN. The committee will recess until 10 o'clock Monday.

(Thereupon, at 12:10 p. m., the committee recessed until Monday, Jan. 30, 1950, at 10 a. m.)

(The following material was submitted for the record:)

STATEMENT OF ARTHUR B. RIVERS, DIRECTOR OF THE SOUTH CAROLINA STATE DEPARTMENT OF PUBLIC WELFARE, ON RECOMMENDATIONS TO IMPROVE PROVISIONS OF THE SOCIAL SECURITY ACT (H. R. 6000)

I appreciate the opportunity of sharing with you some of the reasons South Carolina is concerned about the subject now under discussion—the need to strengthen the social security structure.

Today we find too many people worried by a painful sense of insecurity. Man has always hunted for security, of course, but a newly accentuated sense of insecurity has turned this quest for security into a driving force. This force brings us face to face with this whole question of economic security for our aged population.

When the Social Security Act was enacted in 1935, it was planned that the contributory insurances would provide the basic level of economic protection to the aged. It was expected that old-age assistance would be immediately available for persons in need and for those who would not have an opportunity to earn insurance protection. It was expected that old-age assistance rolls would be reduced as people earned protection under the contributory insurances. That has not happened, and it is due to two major defects in the present OASI program—limited coverage, and low benefits.

The bill now before you (H. R. 6000) goes part way in extending the coverage of the insurance program but still leaves out important groups, particularly farmers and farm laborers.

South Carolina is presently providing old-age assistance to 40,000 aged persons, as compared to about 7,800 aged people receiving OASI benefits. Presently the number of aged persons receiving old-age assistance in South Carolina is 392 in

each 1,000 persons over 65 years of age, and those receiving OASI benefits, only 88 per 1,000. A study of the occupational background of recipients of old-age assistance in South Carolina shows that 30,000 of the 40,000 were farmers or farm laborers.

Only 42 percent of South Carolina's employed labor force is in covered employment. Our aged population is increasing rapidly. As a result, the cost of providing assistance to the needy aged is becoming an insupportable burden on State funds. Only through the extension of the social insurance program to all the gainfully employed, can we expect a decline in the old-age assistance load or the number of children receiving aid.

The bill goes a long way toward correcting the defect of inadequate benefits. The proposed formula (50 percent of the $100 of monthly wages and 10 percent of wages between $100 and $3,600) is weighted heavily in favor of the low income group, as it should be in a social insurance plan. Benefits depend upon earnings and thus the plan strengthens the incentive for the individual to increase his earnings. With this basic protection, the individual can supplement his income through his own savings, resulting in the contributory insurance program assuming its proper role of preventing dependency.

Even though the system is extended and benefits liberalized, it will be several years before the social insurance programs will provide the greatest protection to the majority of our population. Therefore, it is necessary to strengthen the assistance programs to meet the needs of that large group of aged persons, dependent children, and disabled persons who were unable to attain coverage under the contributory insurances and must depend on public assistance rather than the social insurances to which they have contributed.

H. R. 6000 proposes a number of changes which will greatly improve the public assistance programs.

In the field of social welfare South Carolina has moved forward. In evaluating the social needs in South Carolina, we must accept the fact that its population is the youngest of any State in the Nation. South Carolina has a greater percent of children in proportion to its population than any other State. This results in the financial load of public welfare, in terms of income-producing population to finance public welfare, being heavier in South Carolina than in other States. Besides, South Carolina is a State where per capita income is consistently low. We still place third from the bottom among all States. This results in fewer people being able to accumulate savings sufficient for their later years.

It is needless to point out evidences of our financial inability to cope with the assistance problems unaided. However, I wish to emphasize this by a few facts. During January South Carolina provided assistance to 40,000 of its approximately 96,000 aged persons and the average payments were $23.09, a decrease of $1.61 under the June 1949 payments. This situation is equally true in aid to dependent children. The State provided assistance to 23,608 children in January with an average payment of $10.73 per child, a decrease of $1.87 under the June 1949 payment. South Carolina provides assistance to its physically incapacitated through its general assistance program, presently providing assistance to 4,934 persons with an average payment of $15.41 per person, a decrease of 76 cents under the June 1949 payment.

I have already pointed out that South Carolina has a very low per capita income. I wish to emphasize that South Carolina's per capita income in 1948 was only 61 percent of the national average. This means we must have substantial help from the Federal Government if South Carolinians are to have an equal standard of living with the people of the rest of the country.

The formula as set forth in H. R. 6000 will go a long way in alleviating the needs of the low-income States. However, we believe that the basis of Federal financial participation in the cost of public assistance should be granted on a basis of the State's relative economic capacity to provide funds from their own resources.

The proposal of H. R. 6000 to extend coverage under the assistance programs to persons who are permanently and totally disabled will go far in closing the present gaps and adjusting the inequities by meeting the needs of these unfortunate members of society whose need is often more acute than those who are given assistance. We would urge you to redefine the definition of disability as proposed in the new category. It is our feeling that it should be broadened to include all those who are needy because of disability. Many disabled persons through curative or preventive measures can be returned to a self-supporting status if assistance is granted at the proper time.

We would recommend that the provision in H. R. 6000, providing that medical and hospital care be charged against the individual monthly ceiling of the recipient, be modified. We would suggest that the recommendation of the advisory council, that medical care be handled separately on an average cost basis, be adopted.

We would recommend that the committee give serious consideration to increasing the amount for child welfare services to $12,000,000. In a State with 42 percent of our population composed of children 18 years and under, we are particularly aware of the need for expanding and strengthening services to children. Daily the need to provide services and facilities for the protection and care of homeless, dependent and neglected children becomes more acute. This affects every citizen because the future of this Nation rests with its children; they are its greatest resource and its greatest responsibility. The extent to which the Nation maintains and develops its democratic ways is dependent upon the kind of citizens its children become.

Finally, it is my conviction that only through strengthening the structure of the Social Security Act along the lines outlined above can security for the aged, blind, children, and handicapped be placed on a basis which guarantees the self-respect of each person, and at the same time reduces public assistance rolls and public assistance costs.

DEPARTMENT OF PUBLIC WELFARE,
Dallas County, Selma, Ala., January 18, 1950.

Hon. WALTER GEORGE,
Chairman, Finance Committee, United States Senate,
Washington, D. C.

DEAR MR. GEORGE: At a meeting of the Dallas County Board of Public Welfare which was held today in Selma, Ala., there was considerable discussion on bill H. R. 6000.

We, as board members, are vitally interested in the passage of this bill, H. R. 6000, Social Security Amendment Act of 1949. This bill which is to liberalize benefits, to extend insurance coverage, to provide permanent and total disability insurance to workers covered by old age and survivors insurance, if enacted, will eventually reduce the number of people in Alabama finding it necessary to seek and receive public assistance.

The proposals to expand Federal participation in the public assistance and child-welfare programs would assist the States materially in meeting the needs of those now receiving aid and service. We are particularly concerned over the group of people who are totally and permanently disabled. This group would be greatly benefited as the Federal Government shared in the cost in the same manner as for old-age assistance and aid to the blind.

We are asking your continued interest in legislation pertaining to public welfare and for your support of H. R. 6000.

Very truly yours,

Dallas County Board of Public Welfare: Chris Heinz, *Chairman;* Dr. S. B. Alison; Hon. G. C. Blanton; Mrs. I. G. Cadden; Mrs. J. D. Giles; Mrs. C. W. Wynn, Rev. E. B. Warren; Mrs. Clinton S. Wilkinson, *Secretary;* Ralph Nicolson, ex officio member.

DENVER BUREAU OF PUBLIC WELFARE,
Denver, Colo., January 24, 1950.

Hon. WALTER F. GEORGE,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

GENTLEMEN: Upon behalf of the city and county of Denver, and at the request of Mayor Newton, after thorough discussion with our staff of the Denver Bureau of Public Welfare, I submit for your consideration the following recommendations with reference to H. R. 6000 amending the public assistance sections of the Social Security Act.

1. Old-age and survivors insurance: The old-age and survivors insurance should be expanded to include the groups not now covered and should provide for an increase in the amount of benefits. This would greatly diminish the need for old-age assistance. The need for aid to dependent children would be diminished by increase in survivors' benefits.

2. Federal matching: I urge that no reduction be made in Federal reimbursement to the States for aged and blind from the $30 maximum reimbursement for each case, as provided under the present law and H. R. 6000.

3. Residence: Since Colorado provides more liberal public assistance than many other States and in order to prevent a probable consequent influx of those in need of assistance to Colorado from other States, I urge that no reduction be made in maximum State residence requirements permitted in H. R. 6000.

4. Medical care: I cannot emphasize too strongly the need for Federal assistance to States and counties to meet increasing costs of medical care, now borne entirely by State and county funds. The provisions of H. R. 6000 should be amended to provide that the Federal Government pay at least one-half of the medical care costs incurred by the States above the regular maximum specified in each category.

5. General assistance: H. R. 6000 provides for grants to States for aid to the permanently and totally disabled. I urge that the word "permanently" be changed to "chronically" in order to hold out some hope of rehabilitation in some cases. Exhibit I, attached, is a statement concerning chronic disability among the recipients of general assistance in Denver which shows that about two-thirds of all recipients of general assistance in Denver are in need because of serious chronic physical or mental disabilities.

Without the Federal assistance herein recommended, the growing welfare need within the city and county of Denver cannot be met on the basis of budgeted family need according to the State prescribed standards in adherence to Federal requirements.

I call your attention to the letter submitted to you by Mr. Earl M. Kouns, director, Colorado State Department of Public Welfare, which makes recommendations concerning H. R. 6000.

Respectfully submitted.

BERNICE IRENE REED, *Director.*

EXHIBIT I.—CHRONIC PHYSICAL OR MENTAL DISABILITY AMONG THE GENERAL ASSISTANCE RECIPIENTS OF THE DENVER BUREAU OF PUBLIC ASSISTANCE

A study of general assistance in the Denver Bureau of Public Welfare for March 1949 showed that 66 percent of the recipients were suffering from chronic physical or mental disability. Some tables accompany this statement based on a sample of 652 cases, one-fourth of the total general assistance case load for that month.

It will be seen that the general assistance group is a somewhat elderly group; 57.7 percent were over 50 years old and 32.7 over 60 years old. That is to say, approximately 1 out of every 3 clients receiving general assistance was over 60 years old. (See table I.)

The major physical and mental disabilities from which the clients were suffering are shown in table II. Old age ineligible to pension, heart disease, arthritis, diagnosed mental illness, tuberculosis and orthopedic impairment loom up as the six major disabilities. They account for 40.3 percent of all cases receiving general assistance in the month studied.

Other illnesses, besides the major 20 there listed, included anemia, bronchitis, diabetes, kidney disease, tumor, hernia, and a large scattering of other diseases.

Only 107 cases including the 29 children and young people (shown in table I) were free from mental or physical disabilities. That is to say, of the adult case heads, only 12.5 percent were free from recognized physical or mental handicaps, most of which were chronic.

These serious mental and physical disabilities are ever-present elements in the need for public assistance, even when the precipitating occasion for assistance may involve other troubles. Table III shows the stated reason why assistance was given in March 1949. It will be noted that chronic physical or mental disability accounted for 64.1 percent and unemployment only for 12.6 percent although March is the month when unemployment is most likely to be prevalent. All other causes of immediate need, including temporary illnesses, accounted for only 23.3 percent of the stated reasons for assistance in March.

Certainly about two-thirds of all the general-assistance clients in Denver are dependent because of chronic physical or mental disability. Many are bedridden. About one-sixth need some or much care. Most need continuing heavy, long-time support. And the financial cost of these two-thirds is probably greater in proportion than the cost of the other one-third.

Of these clients suffering from chronic mental or physical disability 15.8 percent have received aid from the Denver Bureau of Public Welfare for 9 years or more, 8.6 percent of them for nine or more years continuously.

TABLE I.—*Ages of case head* [1]

	Cases	Percent		Cases	Percent
Under 16	8	4.4	65-69 inclusive	37	5.7
17-19 inclusive	21		70-79 inclusive	33	5.1
20-29 inclusive	63	9.6	80-89 inclusive	13	2.0
30-39 inclusive	74	11.3	90 or over	1	.0015
40-49 inclusive	108	16.6	Unknown	1	.0015
50-59 inclusive	163	25			
60-64 inclusive	130	19.9	Total	652	

[1] The "case head" does not necessarily mean the head of the household. The case head is the person to or on behalf of whom the aid is granted. It may be a newborn child.

The 21 young folks between 17 and 19, inclusive, are mainly aid-to-dependent children who are being allowed to finish high school with the help of general assistance.

The 130 between 60 and 64, inclusive, lack eligibility for class B pensions, usually because of citizenship or the long State residence requirement.

The 37 between 65 and 69 are ineligible for class A pensions usually because of citizenship.

TABLE II.—*The 20 chief causes of physical or mental disability of case head*

	Cases
Old age	69
Heart disease	65
Arthritis	41
Mental illness diagnosed	36
Tuberculosis	31
Mental illness—undiagnosed	24
Orthopedic impairment, including amputations	21
Pregnancy (prenatal and postnatal problems)	18
Broken bones	17
Alcoholism	15
Eye trouble	14
Stomach ulcers	14
Cancer	12
Asthma	11
High blood pressure	11
Paralysis	10
Recent operation	10
Cerebral vascular accident	8
Anemia	8
Venereal disease	7
Out of 652 cases	442

TABLE III.—*Reason general assistance given (March 1949)*

	Cases
Chronic disability:	
Chronic illness	266
Old age	102
Mental illness	27
Orthopedic cripple	11
Eye trouble	5
Mental deficiency	5
Deaf mute	2
Total chronic disability (64.1 percent)	418
Unemployment (12.6 percent)	82

TABLE III.—*Reason general assistance given (March 1949)*—Continued

	Cases
All other:	
Temporary illness	59
Absence of principal breadwinner	32
Pregnancy	14
Insufficient resources	9
Assistance from relative discontinued	8
Awaiting payment	6
Stranded	5
Breadwinner needed at home	3
Imprisonment of family head	3
School opportunity (aid to dependent children, child over 18 in high school	3
Alcoholic	2
Part-time employment	1
Other	7
Total, all other (23.3 percent)	**152**
Total cases (100 percent)	**652**

SOCIAL SECURITY REVISION

MONDAY, JANUARY 30, 1950

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

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George, chairman, presiding.

Present: Senators George (chairman), Kerr, and Millikin.

Also present: Mrs. Elizabeth B. Springer, acting chief clerk, and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will come to order, please.

Mr. I. A. Fink?

Mr. NAYLOR. Mr. Chairman, Mr. Fink was the gentleman that made the arrangements, but Mr. Ahola and Mr. Brader and myself are the committee representing St. Louis County of the State of Minnesota.

The CHAIRMAN. Who is going to be the spokesman?

STATEMENT OF THOMAS J. NAYLOR, COUNTY ATTORNEY, ST. LOUIS COUNTY, DULUTH, MINN. (ACCOMPANIED BY TOIMI AHOLA, CHAIRMAN, BOARD OF COUNTY COMMISSIONERS, AND SPENCER E. BRADER, EXECUTIVE SECRETARY, ST. LOUIS COUNTY WELFARE BOARD, ST. LOUIS COUNTY, MINN.)

Mr. NAYLOR. I am, Mr. Chairman. My name is Thomas J. Naylor. I am the county attorney of St. Louis County of the State of Minnesota.

We are particularly interested in sections 303 and 344 and 323 of H. R. 6000, pertaining to the proposition of giving assistance to the aged as well as to the blind while inmates of so-called public institutions.

I would like to just make a brief survey of the mechanics of the law as it confronts our welfare board and our county board of commissioners in the State of Minnesota.

St. Louis County has an area of over 6,000 square miles. It is larger in area than the State of Rhode Island. We have some 34 or 35 incorporated villages and cities. Because of the vast area and because of so many of the villages and cities located on our Iron Range, which is from 65 miles to 105 miles from the county seat, it is necessary that we should be able to take care of and have at least three or four different centers to take care of our welfare problems.

I would like to call the attention of the committee to the fact that because of our peculiar situation our county is a county that has a diminishing asset, namely, timber and iron ore. Twenty-five years

ago our assessed valuation ran over $350,000,000. As of this last year, it has been reduced to $187,000,000.

With that situation confronting us there was a large group of large taxpayers as well as public officials interested in the welfare of these aged people and the blind, and they formed a large committee, and we went into this situation of building infirmaries in order to take care of these aged people.

We in St. Louis County—and I think we pioneered in this situation—went to our State legislature, in 1947, and had enacted into law a bill which would provide for and permit St. Louis County to establish and build hospitals and infirmaries for the aged. We did that in the hope that some legislation would be passed in Congress that would obliterate the sentence in the law that established the fact that no old-age assistance would be rendered to anyone who was in a public institution.

Back in November 1946, Mr. Brader, our executive secretary of the welfare board, received a communication from a Miss Hoey, stating that as we had set out our plans, as they were then established, they would not permit Federal aid to be given to the inmates of these institutions; but stating that there was a bill in Congess that would permit the establishment of hospitals, and that those who were inmates of public institutions could receive Federal aid.

On the strength of that, we started at once, and we have built one infirmary at Virginia, Minn., which is 65 miles from the county seat, Duluth, and is right in the middle of our county, in the northern section, so that it can take care of the aged there.

We built that in connection with the Virginia Municipal Hospital, but then we came to this fact: that from the fact that it was a municipal hospital we could not receive aid for the aged.

We then exhausted all the avenues that we thought we had, in determining whether or not we could, under the present law, receive Federal aid; and I have with me some exhibits that, if I might, I will leave with the committee. One sets out an attorney general's opinion of the State of Minnesota, stating that as far as the State law is concerned, there is nothing that would prohibit us from leasing our infirmary to the Municipal Hospital, but due to the restrictions in the Federal law we could not obtain aid from the State to carry on this proposition.

Then, in order to clinch the matter, we wrote a letter to our State director of welfare, and he likewise held so, and then a letter was obtained from the solicitor of your Federal social welfare, and he stated that under the present law Federal aid could not be granted.

Now, gentlemen, I would like you to understand this situation. Under our State law, the State pays two-thirds of half of the amount that the Federal law permits. The county pays, for old-age assistance, one-sixth. Then, in the event that other aid is given to old-age assistance people over and above the amount allotted by Federal funds, the State will come in with 50 percent, and the county will pay the balance of 50 percent.

Therefore, if the law is not changed (sections 303 and 344) it would be incumbent upon the county of St. Louis to stand the entire charge and the expense of maintaining these people in these infirmaries. And in order that the committee members might realize that this is not a penny ante proposition, the hospital at Virginia is costing us $990,000.

Senator KERR. May I ask just how much is "penny ante"?

Mr. NAYLOR. I am sorry I made that statement.

Senator KERR. If it is what I think it is, I understand.

Mr. NAYLOR. What I was trying to infer was this: That it isn't just a hovel, and it isn't a case where we bought an old building and reconstructed it, or anything like that. It is really a fine place. And as I understand the purpose of Congress at the time they enacted this law, it was to get people out of these old-age institutions. That is what we are trying to do. We have almost completed this one at Virginia. We are now erecting another infirmary, which is connected with St. Luke's Hospital in the City of Duluth, which will cost us about $1,200,000.

The reason that we built these infirmaries close to the hospitals was because of the situation as to the doctors and nurses. Our section of the country is no different from yours.

Another reason that we went into this field was that due to the Blue Cross proposition our hospitals are so filled with people all the time that we could not beg, borrow, or steal, to get a bed in the hospital. And that is what we are confronted with.

Senator MILLIKIN. May I get myself clear on this? Are these hospital infirmaries that you are talking about?

Mr. NAYLOR. They are infirmaries for the aged only.

Senator MILLIKIN. But are they for medical purposes, or just places for the aged to stay?

Mr. NAYLOR. Medical and chronic illnesses of the aged.

Senator KERR. It is not a residence project?

Mr. NAYLOR. Oh, no. And under the present law you can circumvent it by getting a lay corporation formed; but, particularly, under the interpretation a public subdivision sets up the money, builds the infirmaries, and then if they turn it over to one of these lay corporations they cannot have as much as a health officer, a public health officer, on that board; because then that makes it a public institution, and Federal aid cannot be granted. That is the one point that we would like to leave with this committee: that the main thing, here, is that we who are down at the bottom, where we are confronted with the actual facts as to these people and these needs, know them and are trying to do a right thing by these people. Because our county is still a pioneer county, so to speak; and with the present load, we have people who pioneered in our county. It isn't an old-established county such as you have in the Eastern States. And so we have people, for instance, timber workers, that worked in the woods years and years ago. They make up a large proportion. They have nothing left.

So we figured that we were doing the right thing and we were doing what Congress asked us to do, in taking them out of these old people's institutions.

For instance, we have one institution which we call the poor farm about 10 miles outside of the city of Duluth. We had a very difficult time in even getting a doctor to come from Duluth to go out there and render service to these people.

So the picture is such that we just thought that now is the time to start building these institutions, to build a medical center for these old-age people, and to concentrate it near an established hospital, so

that they could get the best of care from the doctors and nurses, and so on.

Senator MILLIKIN. What do you propose should be done?

Mr. NAYLOR. We would like you to pass section 303 just as it was passed by the House, which permits the aged to be placed in a public institution for medical purposes; and that old-age assistance will be paid to those people while they are inmates therein.

The CHAIRMAN. Not to the institution?

Mr. NAYLOR. Not to the institution. No; directly to the patient.

The CHAIRMAN. Now, H. R. 6000 does change existing law to this extent:

> Federal Government participates in payments to or for the care of recipients of old-age assistance, aid to the blind, and aid to the permanently and totally disabled living in public medical institutions other than those for mental disease and tuberculosis * * *.

Mr. NAYLOR. That is correct.

The CHAIRMAN. That is what you favor?

Mr. NAYLOR. Yes; just as it was passed by the House.

The CHAIRMAN. The House committee calls attention to a serious situation that has developed with respect to needy persons who are chronically ill.

Mr. NAYLOR. That is correct. And that is what we are doing. We did that 5 years ago. We pioneered that theory in this country. And, as I say, we had the mining interests, who pay 74 percent of the taxes in our county, behind this proposition, and then they helped us to enact a law permitting us to establish that.

The CHAIRMAN. But it is the House proposal that you favor in St. Louis County?

Mr. NAYLOR. That is correct, sir.

The CHAIRMAN. Are there any questions?

Are there any points which you would like to bring out through these other gentlemen, Mr. Naylor? I suppose there is really nothing that you can add except to bring to our attention this provision in the House bill, in an effort to correct at least in part this situation that you think ought to be remedied?

Mr. NAYLOR. That is correct. May I make this one further observation, please: that in the event there are quite a few controversial subjects in H. R. 6000, if it came to a point that the whole bill would be dropped because of these controversial sections, would your committee be kind enough to segregate sections 303, 323, and 344, pertaining to this subject and this subject alone, and attempt to have that passed? As I say, this is not just a local situation. We are not only talking for ourselves, but we are talking for the Nation as a whole. Because there are very few political subdivisions that would take the chance that we took to build these infirmaries, with our own money; and we know very well, from the correspondence we have received from all over the country, that they are vitally interested in this proposition. And you would be doing the very thing that you set out to do as originally the law was enacted, in taking them out of the old people's homes and giving them a place where they could get good medical attention.

The CHAIRMAN. We shall be very glad to consider your recommendations.

Mr. NAYLOR. Would it be all right to file a few of these exhibits with you?

The CHAIRMAN. Yes, sir.

You may leave them with the clerk to be placed in the committee file for reference.

Mr. NAYLOR. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. W. Rulon Williamson, of Washington, D. C., is our next witness.

Mr. Williamson, you may be seated if you wish. Will you identify yourself for the record?

STATEMENT OF WILLIAM RULON WILLIAMSON, ACTUARY, WASHINGTON, D. C.

Mr. WILLIAMSON. My name is William Rulon Williamson. I am an actuary. For 20 years I was an actuary with the Travelers Insurance Co., and thereafter, from 1936 until my resignation in 1947, I was actuarial consultant, first to the Social Security Board and then the Social Security Administration. Since then I have been in private practice here in Washington.

I have prepared for each member of the committee a small kit, attempting to hold down my own testimony to as brief a time as possible, and I have put together material which I had previously furnished to the Advisory Council of this committee, material which I furnished to the Ways and Means Committee in the consideration of H. R. 2892 and H. R. 2893, brief comment on the substitute bill, H. R. 6000, a note concerning the addition of the disability benefits to OASI, Congressman Curtis' statement before the House in the extremely brief period of consideration given this bill, a set of papers printed in English in Guatemala dealing with the subject of social budgeting, and this paper, which is rather a museum piece, written by Mr. Richter and myself in 1935, dealing with the Social Security Act of 1935, and having in it perhaps the first reference in our program to this social-budgeting philosophy which I am enunciating, and also having some rather interesting comments on the course of public assistance once it was established.

Senator MILLIKIN. Did you say "forced public assistance"?

Mr. WILLIAMSON. The "course" of public assistance.

I am opposed to H. R. 6000; and I may say that my opinions against the bill derive in part from my experience with the Social Security Administration and in seeing the system operate from close range.

Over the past few years, discussion of the desirability of social security in some form has been so energetic that this discussion has served to conceal the manifold and very serious shortcomings of the present system, both in concept and performance.

I have an insertion in the printed material, over on the left side of your folder. I would like to make an interpolation here. For the past 2 weeks you have listened to witnesses talking about these two Federal programs called, respectively, insurance and assistance. Both are designed to pump Federal funds into the pockets of our citizens now and hereafter. One operates on the basis of presumptive need and right; the other on the basis of need.

In a time of full employment, large savings, and high income, need is more sharply pointed up. The hungry man is more pathetic when our warehouses are bursting with food, stored there, so far as he can determine, to keep the prices up; and when he finds that featherbed rules can and sometimes do delay the transportation of that food to his table, when he is expected to get help from institutionalized charity rather than Christian charity and the neighbors, he is confused.

I believe that my statement marks a change in direction and a change in tempo in these hearings. In my experience, insurance is a facility responsible men use proudly and without subsidy. It is an expression not alone of their ability to earn but of their ability to budget for the potential catastrophes of life. It does not represent a lottery ticket, with prizes for some and blanks for most; it does not represent money in the bank.

Charity, moreover, has always seemed to me a local hometown help, given with understanding; not a temptation to our weaker citizens to drop from responsibility into irresponsibility.

Last week Donald Richberg asked: "Can a modern people obtain a satisfactory security and still retain the historic essentials of individual liberty?" The week before a chap out in Montana said: "If enough individual Americans desire a return to the responsibility that is freedom, we can have that, too."

Senator KERR. May I ask you a question, there?

Mr. WILLIAMSON. Yes, sir.

Senator KERR. Is it your thesis that the historic essentials of individual liberty in effect in a nation automatically foreclose the possibility of the citizens of that country obtaining satisfactory security?

Mr. WILLIAMSON. Not for a minute, sir.

The fundamental wrongness in these programs seems to be the bribery that is the warp and the woof of both of them. OASI promises every man a bargain. Public assistance promises every State a liberal subsidy from the Federal Government in meeting local responsibilities. Both engage in muddy bookkeeping. Both insult the American citizen.

Senator KERR. Your statement says "insist."

Mr. WILLIAMSON. I beg your pardon. I typed that myself, and typed it wrong.

Senator KERR. I believe the word "insist" fits better into the context than the other.

Mr. WILLIAMSON. Both insist that the American citizens have incapacity and lack of will power. If they are right, this Republic has had its day.

To evaluate H. R. 6000, as the members of this committee must do, it seems necessary to give a thumbnail eyewitness view of the 1934–35 period, when the Social Security Act was being created.

We were at the bottom of the depression. Millions were unemployed. We were scared. Huey Long had been pushing his "every man a king." Dr. Townsend was appealing to the gallery for $200 a month at age 60.

Against that setting, the hastily concocted old-age benefits looked conservative—$10 to $85 a month, with the first monthly payments to commence 5 years after beginning tax collections. There was much

similarity to individual annuities closely tied to individual aggregate wage histories.

Secretary Morgenthau called the plan self-sufficient. That is, pay-roll taxes on employees and employers would carry the cost. Old-age assistance would deal with all the needy aged—if the States accepted the Federal grants-in-aid—and also permanently the other half of noncovered employees later coming to need.

The pessimistic actuaries in the Committee on Economic Security thought that by 1980 the Federal share of assistance might reach $700,000,000. The nonactuarial staff of the committee looked for $300,000,000 in 1980. We have now reached $800,000,000 in 1950, $100,000,000 more than the actuaries had set down for the 1980 period.

Senator MILLIKIN. Does that show that you cannot trust these actuaries?

Mr. WILLIAMSON. I think it shows that on these things there is no crystal ball.

Senator KERR. Do you happen to have an index showing the relative position of the commodity index as of this date and as of the date when the actuarial forecasts were made?

Mr. WILLIAMSON. No; but, of course, they are commonly available. In actuarial study No. 21, there is a sequence of wage rates which is pretty closely tied really to this other index.

Senator KERR. Are you aware of the fact that the wage scale as of today is more than 100 percent above that of 1934 to 1935?

Mr. WILLIAMSON. Yes; we are not only aware of it, but during my entire period of actuarial work I have been in constant conflict with other individuals within the social-security organization in insisting that all our past history showed how impossible it was to point out the sequence of events for the future. We have even tabluated the sort of thing you have mentioned, to bring out the lack of wisdom of waiting until 1980 or 1990 before we effectively dealt with our problems, because we couldn't tell how things were going to be; and we have pointed to this sort of historical item to drive the point home.

Senator KERR. Well, assuming that in the contemplation of the program, information as to the best possible forecasts was needed, it would necessarily be developed on the basis of the relative value of things discussed at the time, would it not?

Mr. WILLIAMSON. Oh, we are limited to what we know at the time; yes, sir.

Senator KERR. And based on the value of the dollar which was used in those actuarial forecasts, the outcome or the development of the program is not too far afield from the forecast made at that time, is it?

Mr. WILLIAMSON. I might go back a little bit on that, if I may, Senator. These discussions preceded the enactment of the Social Security Act. These assumed that something like the act would go through.

Senator KERR. I am referring to the actuarial forecasts referred to in the third paragraph on the second page of your statement.

Mr. WILLIAMSON. Yes. They were made by the Committee on Economic Security in advance of the enactment of the law.

Senator KERR. I am asking you if, considering the value of the dollar, which was used, in advance of the enactment of the law, the

actual development of the program has been too far afield from the forecast.

Mr. WILLIAMSON. I do not think so. I was one of those actuaries, sir.

Senator MILLIKIN. Mr. Chairman, may I inquire:

Can you tell us what the value of the dollar will be 5 years from now?

Mr. WILLIAMSON. No; I cannot.

Senator MILLIKIN. Ten years?

Mr. WILLIAMSON. No.

Senator MILLIKIN. Twenty years?

Mr. WILLIAMSON. No.

Senator MILLIKIN. Suppose a fellow enters a working force today at the age of 20 and chips into this thing for 45 years. That would take us until 1995. Are we, or is any honest man, in position to tell him what the purchasing value of his money will be; that he takes out of this system in 1995?

Mr. WILLIAMSON. After the last 10 or 15 years, I would modestly say: I don't know.

Senator MILLIKIN. So there is no security, and there is no insurance; is that not correct?

Mr. WILLIAMSON. I think this has to be viewed very critically.

Senator KERR. You would say, then, that in the absence of ability to completely forecast the future, you would recommend that no plans whatever be made for it?

Mr. WILLIAMSON. I should, instead, sir, recommend that we do the best we can today.

Senator MILLIKIN. Would it not be frank to the contributor—keeping the system; and I am in favor of keeping it—to make it very clear that this does not assure security and it does not assure a sound insurance system, due to the very fact that no man can sit here today and predict what the dollar will be worth to a young man starting his contributions today when his rights finally mature?

Mr. WILLIAMSON. I deal with that in the rest of this statement.

Senator MILLIKIN. Could you give us a short answer now?

Mr. WILLIAMSON. I think you are right, sir.

Senator KERR. In the light of that, then, I would like to ask you this: Would the dollar which was promised to be paid through the workings of the social-security system 30 years from now be of equal value to the dollar which a private insurance company obligates itself to pay?

Mr. WILLIAMSON. I think it would, sir.

Senator KERR. You think there would be not very much choice between them?

Mr. WILLIAMSON. I think they would be very similar dollars.

Senator MILLIKIN. Would that put any food in a hungry man's stomach?

Mr. WILLIAMSON. It would probably put some food in it. In Germany I am told there is a little conflict between the different levels of status, as to whether a man starves completely or only partially.

Senator MILLIKIN. Of course, Germany was the originator of compulsory savings systems for security and old age; and I do not accept that as a complete answer to everything, but that gives a very gloomy answer, where you do not preserve the value of your money.

Mr. WILLIAMSON. That is right.

Senator MILLIKIN. And it does not make anyone feel any better to know that others also depending on the dollar would also suffer.

Mr. WILLIAMSON. These are all subject to the economic conditions in the community.

The insurance and business community were most tolerant of the initial plan. But almost at once the great funds represented by the huge potential reserve of $47,000,000,000 arising from the slow advance funding troubled both actuaries and the members of the Senate Finance Committee.

From this concern came the appointment of the First Advisory Council of 1937–38, which led to the amendments of 1939. The obvious solution of paying benefits to the existing aged and thereby escaping the use of funds for other purposes, while seriously suggested by me, was not considered by the Advisory Council. Instead, the program was otherwise revamped.

The primary beneficiaries, that is, the employees, were now flanked by secondary beneficiaries, aged wives and widows, orphan children, and their widowed mothers. First benefits were advanced 2 years, made larger, and related to a theoretic wage loss. It was believed that over a period of 40 years the new program would cost no more than the old. Individual equity was diminished. The weasel-word "adequacy" appeared. Tax rates were not to be advanced, as they had been provided for in the original tax schedule. The reserve danger was further diminished by giving bigger early individual bargains. Congress would be advised when reserves threatened to become greater than three times 1 year's benefit outlay. This was sometimes called the pay-as-you-go plan. I have long called it "little pay, little go." Even so, we have 12 billions in reserves. We also have millions of unpaid beneficiaries among the aged and the orphans.

H. R. 6000 sets out to make this system even more intolerable. Nothing could justify its passage. To put the fact bluntly, if old-age and survivors insurance was intended to deal significantly and effectively with the aged and the orphan population, it is a flop. If it set out to avoid paying the benefits, it is a success. After 13 years of actual operations, 3 under the title old-age benefits, 10 as old-age and survivors insurance, it is paying benefits to less than 25 percent of the retired aged, orphans under 18, and young widowed mothers. There seem to be well over 8,000,000 retired aged of both sexes in the population. OASI is paying benefits to 1,900,000 of them. That seems a pretty successful failure to reach for the check. About 800,000 of what seem to be 3,200,000 orphans and widowed mothers get OASI benefits.

An obscure arrangement, lifted, I may say, from Germany and the Continent, covering what is called insured status helps to bar others as they reach 65. Age creeps up on some people, so that they reduce their effectiveness somewhat. Some do not have enough employment, as recorded in Baltimore; others simply get lower benefits than they had hoped for. The requirements vary, but the hurdle has risen from 6 covered quarters at the start to 26 now, and is scheduled to go on to 40. The suggestions in H. R. 6000 make one qualification easier only until the election year of 1956. Most women at these higher ages are not enough in the labor market to get primary benefits.

Men have not fared too badly. Perhaps even 40 percent of retired men have known how to qualify. It took some finagling for some of

them. A few might have paid as much as 10 percent in taxes, compared with the benefits they expected to get. More paid 3 percent; some as little as 1 percent.

The women have been more successfully barred. Less than 20 percent of women who neither work nor are married to workers, those above 65, have the OASI benefits. We have done even better with the aged widows. About 8 percent of them have surmounted the hurdles. It has been made sure, too, that women will get less than men. By insisting on gearing benefits, in a very complex fashion, to aggregate taxed earnings, we know that women have less employment continuity than men, have lower pay rate than men, and so will get less benefits as primary beneficiaries. At the higher ages, wives are younger than their husbands, commonly, and wait for benefits until they are 65. When both are over 65, a wife is rated at half her husband's benefits, a widow at three-fourths.

In a time of rising wages, it is embarrassing to have the theory that this method of linking benefits to recorded wages shows still more effective use of the hurdles. Folks come to relish the new diminishing-value dollars as their scale of living. To find they are restricted to what the record shows as to the smaller number of higher-value dollars, in setting the OASI retirement benefit, disappoints them. They have no sound protest. This type of formula works this way. It was suggested that giving 50 percent more low-value dollars to those who have the most of them and 150 percent more to those who have the fewest would cheer the 25 percent who do have some benefit from the scheme already. We can wish the 75 percent getting none of them a good spirit in facing the dimunition of their buying power when using their own hard-earned, scrupulously saved dollars.

When OASI was created, with considerable fanfare, as an insurance system toward which the members who had contributed kicked in a token payment so that they could get benefits as a right, there was also plodding along a "fill-in program" called "assistance."

Today, against the 1,900,000 receiving members of the exclusive lodge "insurance," "assistance" has 2,700,000 members, is still growing, and pays more. These assistance programs are run by the States, with grants-in-aid from the Federal Government. The grants per capita are slightly higher than the full benefits from the OASI formula.

Senator MILLIKIN. Does not assistance have the merit of being able, in a way, to keep up with the change in the value of the dollar?

Mr. WILLIAMSON. Yes; it does.

Senator MILLIKIN. A rigid insurance system does not have that merit?

Mr. WILLIAMSON. It deals with needs at the time. Yes, sir.

There is a small group of needy blind, but dependent children, one-fourth of them orphans, number nearly 1¼ millions——

Senator MILLIKIN. Is there this distinction between true insurance and what we call insurance, here, also: That in true insurance a person is at liberty to go into it or stay out of it initially; he is able to stay in it or get out of it at any time after that; and if he gets out of it he gets some sort of a return, in many forms of insurance, for what he has put in? Is that correct?

Mr. WILLIAMSON. If I may, I will read you eight points I set down with some care.

Senator MILLIKIN. Let me have an answer to that as you go along, because I may have lost it by the time you get through with your eight points.

Mr. WILLIAMSON. It is voluntary. He has the choice as to the way in which he meets his own needs. His rates are determined rather scientifically. He has the insurance agent to help him. It is underwritten by the insurance company, under State supervision to control it.

Senator KERR. If the Federal Government were put under State supervision, do you think that would make it a responsible agency?

Mr. WILLIAMSON. I think if the Bureau of the Budget had a shade more technical supervision of these matters——

Senator KERR. Under the State governments?

Mr. WILLIAMSON. If the Bureau of the Budget had a shade more technical supervision, it would bring the same sort of thing that insurance has, a technical review. And in that individual insurance, which is ordinary, or industrial, there are insurances which unfortunately take seven or eight pages to tabulate.

Senator MILLIKIN. Well, in true insurance a man is not compelled to go into it, is he?

Mr. WILLIAMSON. It is voluntary.

Senator MILLIKIN. In this what-we-call insurance, he is compelled to go into it and compelled to stay in it until he reaches the retirement age. Is that not right?

Mr. WILLIAMSON. It is my understanding that he follows the requirements of the law, and the law has been adopted pretty thoroughly.

Senator MILLIKIN. Does not the law require a contribution?

Mr. WILLIAMSON. The law requires contribution; yes.

I would prefer to call those taxes, too; and I understand the Bureau of Internal Revenue so refers to them.

Senator MILLIKIN. Call it a tax. He must pay the tax if he works in the industries included by the bills; is that right? And he must continue to do that as long as he works. Is that correct?

Mr. WILLIAMSON. That is correct. As long as he works in covered employment, sir.

Senator MILLIKIN. Yes. That is what I am talking about. I think I said so. In private insurance he does not have to pay at all; he can quit. And in certain types of policy he can get a draw-back. Is that not correct?

Mr. WILLIAMSON. There are individual equity requirements in most of these policies.

Senator MILLIKIN. In private insurance policies, except in certain types of private insurance companies, he gets a draw-back, does he not?

Mr. WILLIAMSON. Cash-surrender value is common.

Senator MILLIKIN. Cash-surrender value. He gets something back. Is that right?

Mr. WILLIAMSON. That is right.

Senator MILLIKIN. Does he get something back if he should stop working, under this system?

Mr. WILLIAMSON. He may. Again, the rules are pretty carefully defined. But what he gets back is very difficult to predict. And out of 80 million, now, with wage credits, I understood Mr. Altmeyer

to say that there are some 30 or 35 million who have no insured status. They haven't quite got inside the gates yet.

Senator MILLIKIN. So that if a fellow does not get himself in the gate but has made some contributions, he does not get anything back. Is that not correct?

Mr. WILLIAMSON. I think that is the truth. I don't think it is the right method, sir.

Senator MILLIKIN. I am not saying it is the right method. I am just asking you whether it is correct.

Mr. WILLIAMSON. Your statement is true, Senator.

Senator MILLIKIN. Is it correct?

Mr. WILLIAMSON. Yes.

There is a small group of needy blind, but dependent children, one-fourth of them orphans, number nearly 1¼ million—I lugged that in, because we are so much interested in the aged that we most of the time just refer to them, but this does cover the orphan children and their widowed mothers, nearly 1½ millions, and the needy aged, some with only one car, grow in magnitude every time Congress provides more accessible funds. I used to say that the money first came to the States before it went back to them. Now I like to think that they borrow it from the famous reserve fund and use it as an apology for those left out by OASI.

Senator MILLIKIN. Hold on, now. What does all that mean?

Senator KERR. Senator, do I understand that you are asking him to make the statement clear?

Senator MILLIKIN. That is what I am asking.

Senator KERR. Then I want to join in the question.

Mr. WILLIAMSON. I am rather glad you asked this question. In 1949 it looked as though we had taken in, in taxes, about 1⅞ billions of taxes in OASI. We had paid out about two-thirds of a billion. That seemed to leave about a billion extra.

Senator KERR. You say you paid out how much?

Mr. WILLIAMSON. About two-thirds of a billion in benefits under OASI.

Senator KERR. $750,000,000?

Mr. WILLIAMSON. Something like that.

Senator KERR. How much do you say we had paid out in the assistance program?

Mr. WILLIAMSON. During the year we paid out about 2 billion.

Senator KERR. In the assistance programs?

Mr. WILLIAMSON. In the assistance programs; but only about half of that came from Federal funds.

Senator KERR. I am talking about the Federal Government.

Mr. WILLIAMSON. Yes. About a billion came from Federal funds.

Senator KERR. I thought you said it had grown to 800 million.

Mr. WILLIAMSON. I was discussing only old age at that time. Bringing in old age and the children and the needy blind runs it up to a larger magnitude.

Senator MILLIKIN. I am not clear yet whether you are talking about insurance, or whether you are talking about assistance. Which?

Mr. WILLIAMSON. The insurance system took in a billion and two-thirds. It paid out in benefits about two-thirds of a million. By a strange coincidence the Federal subsidy to old age assistance that year was about that billion. We were not on a balanced budget. I like

to think that the billion came from the moneys that had been paid for the aged and the orphan children, and that it did go rather quickly to its mark in reaching potential beneficiaries.

Senator MILLIKIN. Are you making the point that the contributors to the insurance system, in addition to paying whatever costs of the insurance system they did pay by contributing, are also paying the public assistance?

Mr. WILLIAMSON. I said I like to think that that could be so. I think that mainly our money has gone to fight wars and to pay for relief. But in this particular year, I like to think that the people who wanted to put money in for the aged and for the orphans did it.

Senator MILLIKIN. As taxpayers, then, they would also have to pay it all over again, to cover the bonds that have been issued to cover the deficit. Is that right?

Mr. WILLIAMSON. As taxpayers, having met today's need today, they will have to meet tomorrow's need tomorrow; yes, sir.

Senator MILLIKIN. All right.

Mr. WILLIAMSON. Against about two-thirds of a billion paid under OASI, three times that amount is paid under public assistance, half from Federal funds.

With varied assistance administration, in lots of places old folks give their property to their children to qualify; others are reticent about their resources; some seem to remember an earlier birthday. The attitude toward easily-come-by Federal funds on the part of State administrators is the logical development of the hand-out complex. Apparently only 200,000 get both OSAI and assistance, though Mr. Altmeyer seems surprised at the small number. So 2,500,000 only get assistance, and no old age and survivors insurance.

Census records seem to show about 2,500,000 men above 65 still in the labor market, 600,000 women and some 500,000 wives of workingmen, a total supported from the labor market of 3,600,000 persons. Were unemployment indicated by the earning of less than $50 a month or $100 for a married man, community earning, the "working force" would be less—quite a lot less if liberal benefits were available. There may be institutionalized aged of 300,000 and 11,200,000 noninstitutionalized. If 4,400,000 get insurance and assistance, 3,600,000 are supported in the labor force; that leaves 3,200,000 too well off or too honest to get assistance. But the 1948 tax provisions were supposed to "aid" 3,700,000 persons over 65 by an extra exemption of $600, mass tax forgiveness set at $268,000,000, not much help for the 1,400,000 removed from the tax rolls—just in dollars——

Senator MILLIKIN. If we took about a million to a million and a half off the tax rolls in that category, would you not call that a help?

Mr. WILLIAMSON. To the individual, help in dollars. To an individual, a help of $30 isn't much help in dollars.

Senator MILLIKIN. It is a whole lot of help in dollars if you have not got it.

Mr. WILLIAMSON. Any money that you get is a help; but a lot more help to the well-to-do.

Senator MILLIKIN. And the exemptions saved how much money to those who remained on the rolls?

Mr. WILLIAMSON. The total exemptions were estimated, sir, at $268,000,000 as a whole. It was not divided, in the report that I saw at the time, between those that were removed entirely and those who

remained on, but I suppose it was not over 50 or 60 million for those removed entirely and about 200 million for those who stayed on.

Senator MILLIKIN. Well, that is not hay.

Mr. WILLIAMSON. It is not hay for the National Government, which has to raise the money over again.

Senator MILLIKIN. And it is not hay for the beneficiary of that tax reduction, is it?

Mr. WILLIAMSON. It certainly is not.

Three Federal recognitions of the aged exist——

Senator MILLIKIN. It also got a general reduction in rates, starting at 12½ percent, which hit those brackets.

Mr. WILLIAMSON. I had quite a favorable result in the 1948 tax bill.

Senator MILLIKIN. So that that aged group had their exemptions increased, a million and a half of them were taken off the rolls, and they got the benefit of a 12½-percent reduction for those who stayed on the rolls. Right?

Mr. WILLIAMSON. All these recognitions of the aged that have been given by Congress.

Senator MILLIKIN. I bring that out, because we are supposed to have a rich man's tax bill.

Mr. WILLIAMSON. Thank you. Three Federal recognitions of the aged exist, overlapping. Two of them, insurance and tax exemption, give more to those who have more. The third tempts the honest and the thrifty to lose self-sufficiency, become dole receivers, and demoralizes both the recipients and the nonrecipients, who get sore about it. The fiscal sense of these methods of dividing provision into two or three parcels, local, State, Federal, loses the basic fact of one set of taxpayers. The same is true of employee, employer, and balancing taxes in a deferred benefit system. It encourages, and results in, muddy thinking on individual and aggregate cost impact.

I am personally more interested in the orphan children than in the aged. I have carried life insurance for my own potential orphans, as have most of the population to some extent. There may be 2,400,000 paternal and full orphans, 600,000 nonremarried widowed mothers, with 800,000 benefited in OASI and perhaps 350,000 in assistance. There are over a million children of noneffective or assistance-conscious fathers, also getting benefits.

Senator KERR. What do your mean "noneffective fathers"? If they have had a million children, they were not entirely noneffective, were they?

Mr. WILLIAMSON. I stand corrected, sir.

OASI is not structurally designed to serve the aged and the orphans of today. We know too little of the structure of tomorrow to substitute guesswork as to its requirements for the meeting of todays' necessities today.

The aged: In 1935 and 1939, the aged, upon whom the so-called basic system turned its back, were used as a sales argument by holding up their plight to view. The Committee on Economic Security in 1935, the Social Security Board in 1935–39, pointed out the inability of people to save, the disorganization of the depression to the semi-successful ones. The Department of Justice in an emotional appeal to the Supreme Court certainly implied that it was the intention to deal with the aged, with benefits "as a right." The aged seem in cool

retrospect to have been used as a sales argument for a plan which, in over a decade, has conclusively shown that it does not function to meet benefits for those barred. Those barred live a long time. Those who have not been "covered" have faced reducing interest earnings, reducing buying power, increasing money wages for those that work. These thrifty responsible elder citizens have had short shrift from both the class labor legislation of OASI, hardly designed for citizens, and the doles of OAA. These exluded ones are the thrifty, the selfreliant, the backbone of America. They have been taunted as tories, as economic royalists, as unaware of the fuller life, as the backwash of laissez-faire——

Senator KERR. I wonder if you would explain that phrase.

Mr. WILLIAMSON. "Backwash of laissez-faire"?

Senator KERR. Yes. That is a very intriguing and euphonious phrase, but I do not understand it.

Mr. WILLIAMSON. I have just been reading, sir, in a book written in 1899——

Senator KERR. I did not ask for a book review. If you cared to, I just wondered if you would tell me what that phrase meant.

Mr. WILLIAMSON. Where laissez-faire was described to be "Manchester students, in their ignorance and innocence, and the better way was being shown by Prince Bismarck"——

Senator KERR. Well, just let it go; because the explanation confuses me more than that as to which I asked the question.

Mr. WILLIAMSON. I was afraid it might, sir.

They nevertheless have been expected to meet the cost of the expensive requirements of modern government.

Senator MILLIKIN. Are you referring to the "laissez-faire deal," sir, by any chance?

Mr. WILLIAMSON. It might have some connection there.

Senator MILLIKIN. You have not got yet to the problem that remains. Assume the thrifty. Assume the free-born. Assume those that have been able to provide for the latter part of their lives. What about those who have not been able to, whatever the reason may be, who still must continue to live and who under civilized concepts should be able to live decently?

Mr. WILLIAMSON. I am coming to that, sir, in this report.

We, the inheritors of the technological plant they have built with brain and brawn and savings, owe them something as a social dividend for the plant they built, as an apology for the loss of buying power they have suffered. We should expect them to have resources. We should not burden today's society with "adequacy" for all needs and fancied needs. But in simple justice we should not give $300 a year to one group for a purely token tax—that is the average in OASI now—called a contribution, give another group the public assistance, $500 or more, as charity, with about $300 from Federal funds, on the basis of needs tests that are frequently farcical; and nothing to the rest.

Senator MILLIKIN. The two are not quite the same. You are supposed to get a definitely fixed return for your contributions in the insurance system.

Mr. WILLIAMSON. There is a 20-times return so far, at least; so the people that have made the return and are getting benefits are doing extremely well, and those that have been barred out by the insured status are simply out under the rules. They have not qualified yet.

Senator MILLIKIN. The old-age assistance procedure is on another theory.

Mr. WILLIAMSON. The nonprotected question OASI. They are right to do so.

Costs: We cannot find out all the facts about today. This year the census carries on its decennial fact-finding project. We may know more next year about today. None of the figures I have used today are exact. In fact, as to those about the children, they at the Census were completing a study on the day when I obtained the figures. We do not know clearly the extent of orphanhood, of marital status, even of age distribution. We lack the clear base line from which to project potential future costs. The Office of the Actuary in the Social Security Administration has shown the limitations upon such clear knowledge in a very excellent report brought out a couple of years ago, Actuarial Study No. 21. It shows the anomalies of benefit structure in Actuarial Study No. 14. It shows the better way in Actuarial Study No. 10. Way out yonder in the year 2000, at the turn of the century, where perhaps all the hurdles will at last be down, we are not very clear as to how things will be. We do not know how many old people there will be. We do not know at what age people will seem old. We do not know what effect this dwelling on personal retirement for decades in advance will have in taking retirement. We do not know what the marriage mores will be in the year 2000. We do not know whether costs will be $9,000,000,000, $14,000,000,000, or $20,000,000,000. We do know the effective result of the "gimme" mood carried on for a generation or more. We might have a succession of tax rates that would pile up reserves of $175,000,000,000. We might have a slower tax advance and have no fund at all.

Senator MILLIKIN. We might have a war.

Mr. WILLIAMSON. We might have a war; yes.

Senator MILLIKIN. In which event your dollar would not be worth anything, would it?

Mr. WILLIAMSON. Well, the Germans twice now have had their reserves wiped out almost completely by the two wars, in which they had largely invested their reserves.

Senator KERR. Do I understand now that you are making a forecast of the value of the dollar for the future?

Mr. WILLIAMSON. I am saying I can't do it, sir.

Senator KERR. Oh.

Mr. WILLIAMSON. Costs of a theoretic level premium rate, lowering average indefinite future outgo by the extent of the doubtful amount of interest receipts upon the not-to-be-counted-on fund accumulations resulting from future congressional optimism, pessimism, or balanced judgment, are well-nigh meaningless. The railroad retirement system, paying current benefits a bit more realistically now, has a level premium rate in the last actuarial report of 12.7 percent. There has been a professional pessimism in the past and talk of possible deficit in the fund as late as 1944 of $16,000,000.

Senator MILLIKIN. What is the rate in our civil-service retirement system?

Mr. WILLIAMSON. The rate of contribution?

Senator MILLIKIN. Yes.

Mr. WILLIAMSON. It is 6 percent now from the employee. And a rather interesting thing, now that you bring it up, is that the last

report from the civil-service retirement system, bringing us up to the end of the fiscal year 1948, has carefully tabulated what the man's own contributions would buy and matched it up against the total he bought. The contribution rates had been as low as 2½ and 3½ and 5 percent in the past. But the 100,000 recipients of benefits are shown to have bought with their own money 11 percent of their pensions, 89 percent having come from the taxpayers. With the 6-percent contribution, I think they may pay as much as a quarter to a third of the total cost.

Senator MILLIKIN. They? The taxpayers, or beneficiaries?

Mr. WILLIAMSON. I meant they themselves; and then they get the rest of the money from, ultimately, the taxpayers.

Senator MILLIKIN. What would be the level premium rates, in your judgment, if this were a true insurance system?

Mr. WILLIAMSON. I have just been saying I don't know, sir. That is a very tough thing to estimate. I think this 6.2, 7, 8, 9 percent—I don't know what it is, sir, because there are too many factors that come into contemplation. I think it is misleading to talk about a tax rate as though we did understand. Men can retire at 65. They haven't been retiring on OASI until about 70. Those 5 years might add about a third to the cost, by having them retire more promptly.

Senator MILLIKIN. That was more or less a war condition, was it not?

Mr. WILLIAMSON. Not entirely.

Senator MILLIKIN. Would you not say that influenced it?

Mr. WILLIAMSON. Yes; it influenced it. We had had a depression earlier. We were looking at it gloomily in 1934 and 1935.

Senator MILLIKIN. Then we wanted the older people to get out of the working force so that the younger people could get in. Is that not correct?

Mr. WILLIAMSON. That was a depression situation, which has been wearing off. Then, for instance, we estimated 66 as the age at retirement, it went up to 67½, and later to 70, as the normal retirement from gainful occupation in our consideration.

I am rather inclined to check some of the things that were said the week before last about people staying in work longer.

Senator MILLIKIN. Do you not believe, as far as your statistic is concerned, that the war had an important effect in keeping people longer in the work force than they would otherwise have been kept?

Mr. WILLIAMSON. Particularly after the opposite effect in the depression; yes, sir.

There has been a professional pessimism in the past. We talked about a deficit, as late as 1944, of $16,000,000,000. Last year the deficit was only $7,000,000,000. Carnegie set aside money or securities into a fund to pay pensions to college professors. A few years later the potential beneficiaries seemed to have doubled. Individual payments were going to double too, four times the financial load that had been counted on. Without waiting to learn that interest rates were going down to half, there was reorganization. This system of OASI is 10,000 times as important as the Carnegie pension plan for teachers. Such relationships are too serious to be treated on a basis of wishful thinking.

Bismarck is an unsuitable model for us today. As the committee knows, our so-called social-security system was copied in some

degree from the German system undertaken by Bismarck in the 1880's. Perhaps these "planned state benefits" ought to have been copyrighted by Bismarck. Two world catastrophes have sprung from the planned state regimentation of his "master plan." A British admirer of Bismarck in 1899 said:

It must become increasingly apparent that, in the system of insurance established by Prince Bismarck, we have the model after which we shall have to work. Were the consummation of this great work the only service he had rendered the toilers of the country, the late Chancelor would have earned their lasting gratitude. Thanks to the threefold plan of assurance developed between 1883 and 1889, the German workingman is able to anticipate the hour of sickness and incapacity without anxiety and to face old age with confidence. Truly, as an English leader of public thought recently said, to grant to the toiling masses such a boon were better than to win a great victory. Who will give to the British workingman the blessing which Prince Bismarck has conferred upon his German brother?

The Beveridge report outlined that "blessing" in detail. It comes high in these difficult times. Yet the primary benefits for old age at 65 are a modest $16 a month; the wife's, $14; a total of $30. The formula suggested by Mr. Altmeyer in January 1950 would seem to give me, on retirement after 8 years of contributory service, $100 a month and my wife $50, a total of $150, or five times as much. Reviewing the less generous H. R. 6000, a British actuary said:

There seems to be an across-the-Atlantic contest in national irresponsibility.

Last Thanksgiving Day a Dutch actuary told us that the occupying Germans, as one of their more fiendish maledictions, raised the social-security benefits, to saddle the deferred benefit payment upon the liberated Hollanders. Noting the similarity inherent in H. R. 6000 for us, he said, "But you can't blame that on the Germans."

"Well," I replied, "only as a point in a delayed chain reaction. I hope that the Senate can save us from it."

Senator MILLIKIN. May I make this observation? I think that one of the purposes of the Bismarck plan was to tie the workers to the Crown. The original concept of the Socialists of Germany was that they would end war; they simply would not go to war; and the workers of the world similarly would not go to war. Historians have claimed that, because the worker was thus tied to the Crown, in order to preserve his benefits and one thing or another he had to go along with the Crown's adventures in war.

Mr. WILLIAMSON. I think there is a great deal in that, sir.

Throughout Latin America the heritage of Bismarck's deferred-benefit-system promises and the consequent problems of the reserves have reached them by way of the International Labor Office. The Treaty of Versailles set up the ILO, and through it Germany may have "sold a bill of goods" to the temporary conquerors.

It does seem to me at times as though there was this definite effort to weaken the so-called conquerors by passing on to them this regimentation which has become so definite in Germany.

A Latin American told me, and it has been confirmed by other Latins: "In many ways the effect of these measures upon our economy seems the same as though they had been set up by communistic racketeers."

To me, the copying of the state socialism of Bismarck by the United States seems an authoritarian and not a democratic activity. If we need any program in these classless States of ours, we need one for

all of our citizens and not one which has become a pawn in labor-management warfare. We have the facilities for the individual thrift. We have progressive employer-employee cooperative programs. I do not object to calling the Federal program a floor, to signify its universality and its level benefits ----

Senator MILLIKIN. Before you finish, will you come to your suggestion as to how to take care of the unthrifty when they get old?

Mr. WILLIAMSON. Yes, sir. But it should be the lesser benefit in a democracy of freemen. It should stimulate and not deaden personal responsibility. It should lower the extended palm.

We should develop an American program for the aged and orphans; not copy Bismarck.

Senator MILLIKIN. May I put this to you: Is not the whole tendency of our commercial life to increase the pressures for spending and thus decrease the goal of thrift? No. 2, if everyone became thrifty and frugal in this country, your whole economy would change its face, would it not?

Mr. WILLIAMSON. Yes, sir. And, if I may speak at this point, I would like to say ----

Senator MILLIKIN. I mean, we talk about thrift and frugality, and yet the economic pressures are against thrift and frugality. Every advertisement that you pick up is a temptation for people to spend. And, when they have spent what they have got in the bank, then there are temptations to buy on the installment plan.

Now, how do you reconcile thrift and frugality with that tendency in our economy? And what would happen to our economy if everybody became thrifty and frugal? I am not opposing thrift and frugality. I am in favor of it. But I am wondering how the average fellow can resist the temptation not to be thrifty and frugal and what would happen to automobile business and what would happen to everything else that rests on credit plans if people suddenly became thrifty and frugal?

Mr. WILLIAMSON. That is why I believe in this private system of individual decisions working in a somewhat gradual fashion over the years to add to frugality and thrift and not do it all at once.

The life-insurance business has up to 220,000,000,000. Savings banks have added a great deal of savings. Men have become pretty thrifty with Federal bonds in the last few years. We have throughout the country a great deal of thrift as is.

When I feel hard up, I deplore seeing my neighbor buying things I think I can't afford, but he is pretty thrifty, too, in other ways. This Federal program, I think, can be an assistance in this; that we can have a logical amount of thrift. And then I do think that a direct transfer from those of us that have the funds today to those who are through will save a great deal of pain and difficulty on the advance saving and on the investment in the reserves; and that if we simply allocated—those of us who feel generous toward our predecessors—a certain amount of them without any needs test and without any difficulty about it, I think it would help to solve part of the investment problem.

Senator MILLIKIN. Would it be unfair to describe our economy as one of rapid obsolescence?

Mr. WILLIAMSON. No. That is one of the healthy things about it, too, of course.

Senator MILLIKIN. If everybody got the last week out of his car, if everybody wore his clothes down to the last thread, if every lady resisted the temptation to buy that new hat, the jewelry, the furs, and so forth and so on, in other words, if we went into a truly thrifty and frugal economy, where would our economy be?

Mr. WILLIAMSON. It is a budgeting economy that we need; that, where we have that sense of balance, we allocate the right amount for these catastrophes that we face. I, as a former insurance man, am not going out of the way to say that it is a balanced program which is the logical thing, neither penuriousness nor miserliness nor prodigality.

Senator MILLIKIN. How many people out of a hundred have that fine sense of balance?

Mr. WILLIAMSON. I notice that two-thirds of the people are saving and one-third of the people are not saving in a given year.

Senator MILLIKIN. If you have 150 million population and only two-thirds of them are frugal in any group of years, and one-third are not, you have a big problem for the one-third that are not frugal.

Mr. WILLIAMSON. We have. And I think it is going to take a long time——

Senator MILLIKIN. But before you finish, you are going to tell us how to get at that?

Mr. WILLIAMSON. I am going to develop a way. We should develop an American program for the aged and the orphans, and not copy Bismarck.

Social budgeting for widows and the orphans and the aged: I have indicated that the deferred benefit structure is unsuitable for granting benefits "as a right" to the aged widows and the orphans, the two groups where the hurdles seem most unconscionable. I have only hinted how the "carrot before the nose" precepts of Bismarck seem to have led the Germans and the world into infinite trouble. I have not much waved the American flag, nor spoken of our heritage of freedom and our classless society, nor of my conviction that the American heritage is too precious to cast aside for the "dollar for a nickel" slogan. I have not told how our American productivity and technology are giving us so high a living standard, that if we were interested in our no-longer-producing aged and our not-yet-at-work orphans, we who have the income to pass out when our heart bleeds for Europe or Asia or the far places are perfectly competent to deal with these problems here and now. But that is the purpose of this appearance. We can do it by a transfer of funds from those of us who earn them, or receive them as interest, rents, or dividends, to those who are no longer in that position or have not yet reached that position.

Senator MILLIKIN. Is not that the basis of all taxation?

Mr. WILLIAMSON. I think it is.

Senator MILLIKIN. I mean, even if you have a real estate tax, the fellow who owns the real estate pays a tax which helps to support the sewerage system, the water system, the paving system, and the schools. And lots of people who do not contribute to that tax enjoy those benefits.

Mr. WILLIAMSON. I feel that I have paid those taxes whether I have owned my house or rented a house.

Senator MILLIKIN. What I am getting at is that we hear a lot of talk about transferring tax burdens, but I do not see how you can have any tax burden without some of the transfers of that type.

Mr. WILLIAMSON. You are quite right. And there is an excellent paper that has been written by William Anderson, the head of the insurance company organization in Canada. He is also the general manager of the North American Life of Toronto. It is a paper on this tax approach to social insurance.

Senator MILLIKIN. I think it should be added that no matter who pays it in the first instance, everybody pays it in the end.

Mr. WILLIAMSON. Quite true.

Social budgeting is pay-as-you-go. That good phrase has been misused for a plan of not paying and not going very far. If there are soon to be 10,000,000 retired aged and 3,200,000 orphan children and widowed mothers, and perhaps 2,800,000 extended disablement cases, those 16,000,000 persons at $360 each would take nearly $6,000,000,000. It is a lot of money, and $30 a month isn't much to pay them. But it is as much as we should pay them till we cut through the barbed-wire entanglements that have hampered our freedom of thought, and which have kept us from looking closely at Santa Claus. We should forget the misused words "insurance," "contribution," "adequacy," "as a right," and should think about compensation for the robbery of the aged by inflationary procedures, a social dividend for our inherited plant, of the generosity that is spelled out in imposed and paid taxes. I am even writing a book about it. Sometimes I call it "The Lesser Evil"; sometimes "National Sharing for Personal Responsibilities." It is no more a new idea than the golden rule, and it doesn't nudge out self-sufficiency.

If we pay for social budgeting we must earn the funds. This social budgeting has been discussed in numerous papers some of which are attached to your report here, in the United States, in Canada, in England, in Guatemala. The Hoover Commission seriously considered it. So does a book just being published by the Brookings Institution, on the Financing of Social Security. I have not read this book, but it is just out this week or last week. It is by Lewis Meriam and associates.

Senator MILLIKIN. You had better read it. It is very interesting.

Mr. WILLIAMSON. I intend to. I hope it is in my mail this morning. I have even covered it in a statement to the Advisory Council to this committee, and again in data furnished to the Ways and Means Committee last year. I am furnishing this material to the members of the committee herewith. It is typified, in its approach, by directness, simplicity, balance; and the system does not reduce but rather enhances our sound American system of individual and mass thrift and insurance.

The Curtis recommendations of October 4, 1949: Congressman Curtis, in his most striking speech on the floor of the House, in the very limited attention given to this bill in the House, recommend social budgeting, without naming it as such, in that speech. The recommendation with which he finished that speech should be followed. He knows that the welfare of the American people is too important for decision without study. Tax men, business economists, financial men, demographers, lawyers, and, while this program isn't insurance under any of the meanings I attach to the word, actuaries—these typify the thorough professional approach which should be given. Following the Bismarckian precedent, suggestions of full study have

been blocked. Such a situation is most undesirable in this democratic Nation.

Senator MILLIKIN. I think there is some grounds for challenge of that statement. We are sitting here, and we have been sitting here for 2 weeks, listening to experts like yourself. We will probably be sitting here another month or more. We have appointed a special Advisory Council to make a thorough study. They have made a thorough study and have given us recommendations. When does this process end?

Mr. WILLIAMSON. They have had no hearings, that Advisory Council. When Sir William Beveridge, after 40 years of operations in England, was asked to draw up a program, he held hearings over a year. He looked into the matter. And I think I can say this with complete frankness: that in this Advisory Council there were no hearings, and as far as I know only two people submitted information to them voluntarily.

Senator MILLIKIN. I can say this to you: That everyone who had information was invited to submit it.

Mr. WILLIAMSON. I asked for the privilege of submitting it and was permitted to do so.

Senator MILLIKIN. And that was true of everyone else.

Mr. WILLIAMSON. There was not much submitted, was there?

Senator MILLIKIN. Well, if people do not submit when they are invited to submit, what should we do? Drag them in by the scruff of their necks and make them submit?

Mr. WILLIAMSON. I am inclined to think something of that sort is desirable.

The current arrangement continued a while longer would be less harmful than deepening the negations, through H. R. 6000, or the still more extravagant recommendations for the favored categories as outlined by Mr. Altmeyer before this committee.

To copy the German strategy in Holland, to leave the burden upon posterity, isn't applicable in our own country. We have to live here. Let us have no more tampering with an intrinsically bad law, until a thorough study outlines the logic of a sound program. Such study should be conducted by competent qualified persons. They should not be directed from the social-security bureaucracy. Now is the time for significant thought, not thoughtless action.

Senator KERR. May I ask if you have made what you consider such a study?

Mr. WILLIAMSON. I have been employed for over 10 years within the Social Security organization. I don't think I have completely wasted my time.

Senator KERR. Would you be sufficiently bold as to answer my question?

Mr. WILLIAMSON. I do not think, I have the full story. I think it needs more than one person, who is an analytical sort of person, to build up a study of this sort. As I say, I think it needs business economists and financial people, and these various groups, really cooperating over a considerable period of time. No ivory-tower individuals such as an actuary are ready to promulgate the completed story. I am trying to set down these points myself. I left the Social Security Board and went into private practice, and my conscience hurt me. I couldn't stay away. I had to go back and summarize

the things that I had learned. I am in that process now. This is an interruption to it. I have had other interruptions recently. The thing is just too big, though, for one person like myself to do it. It needs a group of very exceptional people who have gone through pretty stringent disciplines in their thinking.

I think this is the opportunity for this organization to champion the thing which Congressman Curtis has brought out. I certainly congratulate him for his point of view, as he sets it down.

Senator MILLIKIN. Well, it is something that has been suggested. But if you are under the impression that a lot of thought has not been given to this by Congress, and I am speaking only on behalf of the Senate side, I can tell you that you are very much mistaken.

Mr. WILLIAMSON. I am under no such impression, sir.

Senator MILLIKIN. It was a subject of much preoccupation with us in preceding Congresses, and it has had much preoccupation in this Congress. The chairman of this committee has been through this twice. He was here at the beginning of the system. We have much to learn, but we are not entirely illiterates on this subject.

Mr. WILLIAMSON. You certainly are not, sir.

Senator KERR. May I ask: Do you appear here in your individual capacity?

Mr. WILLIAMSON. Completely, sir. I am here simply as a citizen, not even as an actuary. I am here as a citizen who has spent a lot of time on this. And I may say that I am spending the major part of my time, rather as a labor of love, on this subject.

Senator KERR. Now, a labor of love for what? Is it a love for the labor, or is it a love for something to which the labor is dedicated?

Mr. WILLIAMSON. Well, I don't like to be smug about these things, but when any individual has spent as much time as I have without summing up what he has done, he has an inner compulsion to sum the thing up and, with time enough, to give the story as he has it. I think it takes a couple of hundred pages. I don't expect it is going to bring me any fee.

Senator KERR. Do I understand from that that you are just practicing on us?

Mr. WILLIAMSON. In a sense.

Senator KERR. I see. Well, that explains a lot of things.

Senator MILLIKIN. Mr. Chairman, I have a memo here which states that for 1944, for families of two or more persons, as far as savings are concerned, there was a deficit where their incomes were less than $2,000; that there was an average of net savings of $122 for the same year for families having money income between $2,000 and $2,500. So when you break down the savings to which you refer and reduce them to their present dollar value, I am not so sure that you do not have a large area where there is real need.

Mr. WILLIAMSON. Quite true.

Senator MILLIKIN. I hope that you will now tell us how to take care of the "unrugged individuals" and the needy who perhaps have not been thrifty and frugal.

Mr. WILLIAMSON. The social budgeting program, as I have played around it, here, for the United States of America, seems to me to be built up on three legs. First, there are the individual savings of the persons who have bank accounts and real estate, Government bonds, the cash side of the life-insurance policies; second, there are these mass

programs of employer-sponsored methods and union-sponsored methods, all these cooperative benefits which come in; and third, there is left, I suppose, what we all as citizens can handle. Under the first of those, as I consider it, there is the man as a person, as a responsible individual. He tries to take care of himself. Second, he is an employee, and thanks to his working fairly permanently for an employer there grow up these fringe benefits, a rather delightful sort of thing, where the employer becomes so identified with this group of people that he adds to the wages something extra for long-time service.

Senator MILLIKIN. You have all of those things, but you also have millions of people who are in need. Now, would you come to that point and tell us whether the Government has any role at all as to satisfying that need? If so, what is this role?

Mr. WILLIAMSON. And third, sir, the Government, fitting in; counting upon, however, the resources of the man from these other two places. I think it is sound for us to give a uniform amount to all our people with a certain status. The record to date shows that they are withdrawing from the labor market at about 70, for the men. It may go down later on. I therefore would like to start with 70—that everybody over 70, some 7,000,000 people in the country, should have allocated to them that amount which we decide we are willing to give. I say $30 a month a head as a right from those of us still working, as an apology for their difficulties in life, an apology for their not having gotten the technical gains which have come to the rest of us, social budgeting of a lower than subsistence amount; not enough in this one thing to take care of them. Then throw back to the States and the localities the responsibility for the individuals there when there is real need, so that they who know what the facts are about the local life can deal with it; if possible, I hope, with employment, and with self-sufficiency in other ways. We are not suited for it, I think, in Washington.

Senator MILLIKIN. Well, that is your point, that it should be pushed back home.

Mr. WILLIAMSON. I think the assistance part of it should be pushed back home, but it will be less if we have this floor for everybody allocated from here.

The CHAIRMAN. That is purely on a pension basis?

Mr. WILLIAMSON. Well, I would have it both for the old and for the orphan children. We have got old-age and survivors in here. The children are rather small in number, probably not over 2,400,000.

The CHAIRMAN. As to this floor you speak of, you do not contemplate any aid and assistance from this so-called contributory theory or thesis, at all, do you?

Mr. WILLIAMSON. I should like to have that go back to the individual to use for himself, and not have it tainted, as I insist it is tained now, with this "bargain," this "Santa Claus" spirit; that nobody who is out has the satisfaction of having paid for it. The average is about 3 percent. I put it, myself, under this act now, that I would pay under the next 5 years, and in the last 3, when I was covered under this system, I would have the privilege of paying about 3 percent of the potential benefits that I get out of it. Now, it seems to me outrageous for me to expect the American citizens to pay me $100 a month for which I pay $3, and my wife $50 for which I paid maybe $1.50, under this system. We have created this fiction of a contribu-

tion. It is not a premium, even though Mr. Lasser in his little book says it is. It is just a token payment.

I don't know how many of you heard Mr. Calhoun and Mr. Altmeyer over television the other day, but Mr. Calhoun made a very forceful statement about this system, to the effect that nobody has had the satisfaction of having made an honest contribution toward it. And yet we are recommending here that when you put out 30 times your money payment we should double that, nearly, so as to give 50 or 60 times. It seems to me we are dealing with dangerous financial relationships here, which have to be straightened out more clearly.

The CHAIRMAN. Are there any other questions?

Thank you very much, Mr. Williamson.

Mr. WILLIAMSON. Thank you.

(The following statement was submitted for the record:)

STATEMENT TO THE SENATE FINANCE COMMITTEE ON H. R. 6000 BY E. W. WILSON, ACTUARY AND ECONOMIST

My name is Elizabeth Webb Wilson. I live in Cambridge, Mass. I am an associate of the Society of Actuaries and have my Ph. D. in economics from Radcliffe College. I am a free-lance writer and lecturer on social-security subjects, with especial reference to health insurance.

I oppose the passage of H. R. 6000 because of the repercussions it would probably have on our economy and prosperity. The actuary of the Social Security Administration has estimated that the cost of H. R. 6000 may ultimately be anywhere between 6 to 10 percent of the pay roll. Mr. Williamson, the former actuary, has told you that already the cost of the system has exceeded the actuarial estimate for 1980—and the cost is still rising. Assume, for purposes of argument, that the cost will not exceed 10 percent. What Congress would be willing to levy a pay-roll deduction of that amount? Of course, it might be divided equally between the employers and employees. That would only mean that prices would rise or wages be adjusted to cover the employers' share. In the final analysis, the worker would have to pay. But this levy is not all. There would be a 2 percent tax for unemployment insurance, and probably 1½ percent more for temporary cash sickness insurance. If, by some mischance, the compulsory health insurance bill should pass, its ultimate cost would be 9 to 10 percent for complete coverage such as they have in England. There are other things such as more liberal death benefits, which might easily bring the total cost of the system up to one-fourth of the pay roll. Certainly it is probable that it would exceed 20 percent. Would you want to say to the workingmen in your constituency, "I am voting for a law that will make your children work more than 1 day a week just to pay for it?" They would have to work half a day to meet the costs of H. R. 6000 alone.

May I quote a portion of an address made by Mr. Samuel Gompers in Washington, December 5, 1916? He was speaking of the effect of social-security taxes on the welfare of German workers: "By reason of the taxes which they were compelled to pay into compulsory social-insurance schemes, they had no money left except for the absolute necessities of life. * * * The workmen * * * by reason of their property interests in compulsory social insurance, have been compelled to remain in Germany and work under circumstances, wages, hours, and conditions of employment which forced them to endure conditions below standards of a living wage." No wonder Mr. Gompers concluded that "social insurance cannot even undertake to remove or prevent poverty."

If it is inexpedient to pay the complete social-security bill by pay-roll deduction, how will the cost be met? By corporation taxes? By increased income taxes? Already the "bottom of the barrel is being scraped" (to use Sir Stafford Cripps' phrase) as far as the rich are concerned. If a maximum income of $15,000 after Federal taxes should be set, the increased Government intake would be only $3,000,000,000. The Notre Dame survey has shown the decrease in the proportion of the country's spendable wealth that now remains in the hands of those with incomes of $5,000 or more. If corporation taxes and income taxes on the higher brackets are increased, savings will be decreased, as they have in England. Without them, how can business expand and industrialists renovate their factories? Almost three-quarters of a million new jobs are needed each year. Each

job takes on the average $8,000 to implement. Where will the money come from if most of the excess money over bare living costs is taken in taxes?

Some optimists will say that during the next half century the national income will more than double. That depends on whether other things remain the same. In Germany, from 1885 to 1935, the average number of days of absenteeism doubled. There was social security there. The English inaugurated their cradle-to-grave program on July 5, 1948. A recent bulletin of the Ministry of Food admits that there was more absenteeism in the mild winter of 1948–49, than "during the harsh winter of 1947." Again, the McGraw-Hill survey has shown that because of high taxes there is a growing disinclination among competent businessmen to assume additional responsibilities. Encroachment of government in business may well be another deterrent to efficiency. Also, other countries working on a slave-labor or low-wage policy and a devalued currency will find it relatively easy to undercut us in the export field, once their economies are working at full tilt and the ravages of war have been repaired.

In short, in order that our free enterprise economy, which has made us the most prosperous nation in the world, may be preserved, I beg you to stop and consider. Small present gain may ultimately cost us dearly in lowered productivity, confiscatory taxes, and even world leadership.

The CHAIRMAN. Mrs. Hester Stoll?

STATEMENT OF MRS. HESTER G. STOLL, AMERICAN ASSOCIATION OF SOCIAL WORKERS, WASHINGTON, D. C.

Mrs. STOLL. Good morning, sir.

The CHAIRMAN. Will you please identify yourself for the record, Mrs. Stoll?

Mrs. STOLL. I am Mrs. Hester G. Stoll, representing the American Association of Social Workers. I am a member of the National Committee on Public Social Policies. I live in Washington, D. C.

The CHAIRMAN. You may proceed with your statement, Mrs. Stoll.

Mrs. STOLL. The American Association of Social Workers is the largest professional-membership association in the field of social work. It was founded 26 years ago and now has more than 12,000 members living in all parts of the United States and its Territories. These social workers are employed in public and voluntary local, State, national, and international agencies. The association has 107 chapters located in practically every State and in Hawaii and Puerto Rico.

For more than 15 years the association has been developing a policy on public social services. Gradually, we evolved the principles on which we believe social assistance and social insurance programs should be based. Our annual conference, attended by delegates chosen by each chapter, provides the chief means of formulating membership opinion on national issues. The annual delegate conference held in April 1948 in Atlantic City, N. J., adopted a platform statement on social assistance and social insurance. A copy of this is attached to our testimony. I am empowered to present the association's point of view using our platform statement as a criterion.

I shall hand over a copy of the platform statement, if I may.

The CHAIRMAN. You may do so.

(The statement is as follows:)

Platform Statement on Social Assistance and Social Insurance Adopted by American Association of Social Workers

Application of Objectives and Principles

Social assistance and social insurance are complementary measures. Jointly they represent the best-known methods of dealing in an effective and organized manner with common repetitive hazards of living which affect all people.

A comprehensive scheme for social security in the United States would require, in addition, a system of family allowances, as already developed in most major countries.

The development of a Nation-wide, fully adequate, integrated, and comprehensive scheme is an evolutionary process. It may be accelerated by wide interpretation of as yet uncovered needs, and of our limited facilities for meeting others not in line with our economic potential for production.

As a professional group, we wish to contribute to its sound and speedy development by pointing up certain principles and methods of providing facilities for social security, which we believe to be tested and valid.

I. Common Features of Social Assistance and Social Insurance

Social assistance and social insurance both deal, as a proper concern of Government, with the major risks of unemployment, injury at work, maternity, illness, extended disability, old age, and death, and their consequences for individuals and families. Both should be designed to conserve the personal integrity and dignity of persons in need, and to assist them to return to self-maintenance wherever possible.

Both systems must provide benefits for financial aid and services for meeting other than income needs. Benefits and services should be freely available and accessible to everyone needing them. They should also be of adequate quality and size in order to be effective. Benefits and services should be available as a right, to be provided without discrimination as to race, creed, citizenship, political affiliation, residence, or other arbitrary factors. They should be administered by procedures that are fair, understandable, and of such a nature as to encourage initiative and responsible participation on the part of the beneficiaries.

There should be adequate provisions for appeal by an applicant or recipient from an administrative decision, and ready opportunities for fair hearings. While each of the two systems, in a given local setting, may need to develop a full range of all basic services for families and individuals of all age groups, including children, it is considered more appropriate, in general, to develop within the framework of a single public-welfare local agency all basic services, available to everyone. Social insurance will use them by referral.

Public benefits and public services may be supplemented by benefits and services offered voluntarily by voluntary agencies. Such aid, however desirable, does not take the place of adequate and appropriate public provisions.

1. Benefits, as a rule, should be provided as unconditional money payments. Valid exceptions to this rule will be found in the provision of certain benefits in kind, typical of a comprehensive disability-insurance scheme.

2. Services may be generic or specialized. General welfare services, involving skilled case-work service for families and individuals of all age groups, including children, should always be provided as a basic resource. Skilled individualizing service is essential for understanding the needs of the applicant or recipient thoroughly, and in order to assist them in developing their own resources, or to make effective use of family and community resources in such a way that maximum health and well-being will be achieved. Skilled case-work services should be available in at least one public agency in every community, accessible to anyone irrespective of age, cause, or character of need.

In addition to the general welfare services for children and adults, specialized facilities must be made available, particularly yielding employment, vocational, health, educational, recreational, protective, and legal-aid services.

Social insurance and social assistance should each be organized and administered as a unified, integrated, and comprehensive system on every level of government. This objective can best be accomplished by—

(1) A unified public-assistance program, abolishing the categories in which need is the only condition of eligibility for financial aid. Such a system requires adequate financial and administrative participation by the Federal and State Governments, utilizing the principle of variable grants-in-aid.

(2) A unified, national compulsory and contributory system of social insurance which will provide the entire working population and their dependents with benefits and services related to the major common hazards. A single administrative authority and a single and inclusive contribution from workers and employers, supplemented by statutory contributions from the Federal Government, will be essential to the validity of such a plan.

On the local level, social assistance and social insurance may well be represented in one cooperative public-welfare unit. Dependent on the size and character of the community, two separate units may sometimes be needed supplementing each other in benefits and services. Irrespective of a joint or two separate facilities, there should be in each county (or other administrative feasible units) one public-welfare agency providing the benefits and services of social assistance under one program available and accessible to any person in need of financial aid or service.

A maturing social-insurance system should gradually reduce to a minimum the necessity for other public and voluntary provisions of benefits to individuals and and families suffering from common hazards.

While need for services may not change substantially at the same time, revenues from social-insurance funds should contribute increasingly to their financing.

II. Social assistance

Social-assistance measures must be broad enough in scope to provide benefits for all needy persons inadequately protected, or not covered by social insurance, regardless of the cause of their need and regardless of age, race, creed, political affiliation, citizenship, or length and place of residence, or any other arbitrary restrictions on eligibility.

Social assistance is a generic public family service available to individuals and families. It aims at the prevention of individual or family break-down and of dependency, and deals also with current dependency conditions.

Social assistance offers: (*a*) Benefits for financial aid as needed; (*b*) individualizing skilled personal service as an integral part of its program.

Focusing all efforts and processes in such service on an understanding of the total personality in his setting, social assistance helps the individual to use effectively his own and his family resources. As far as they are inadequate to meet the individual's needs, or unavailable, social assistance makes available benefits. It helps through information and counseling (also by referral) to make use of the full range of community resources as needed.

Social assistance may provide and operate directly suitable welfare facilities unless they are adequately developed by other public or private agencies, in proportion to the demand, and available and accessible without restrictions. The resources of voluntary and cooperative agencies, if adequate in standards and available, should be fully utilized.

Social assistance—requiring for effective service a variety of community resources, and as one of the major consumers of their services and benefits—has a continuous responsibility for their increasingly effective teamwork and mutual supplementation. It must be concerned with the coverage and adequacy of standards of all community agencies offering benefits or services.

In the operation and development of a sound social-assistance program, the following aspects are considered essential:

1. *Organization and structure.*—(*a*) Unified administration by a single agency on each level of government, to include a single public-welfare agency in each county (or other administratively feasible unit).

(*b*) Sharing of responsibility between Federal and State Government on a planned basis, such plan to be subject to regular review and change as needed.

2. *Comprehensive and adequate program.*—(*a*) Coverage: Need to be the sole determinant of eligibility.

(*b*) Benefits as unconditional money grants to be available on the basis of established need in an amount adequate for maintaining a reasonable standard of living, and sufficient to prevent physical or social deterioration of the individual and his dependents. States should define the content and level of living to be afforded needy persons in given circumstances, and should develop effective methods for determining their cost.

(*c*) Services of high quality to be made available, without regard to economic need, to anyone who needs and requests them. The public-welfare agency must meet the need for basic family-and-child-welfare services directly with the help of a qualified staff. The need for specialized services may be met through referral to specialized public or voluntary agencies as available.

3. *Finance.*—So that basic needs for benefits and welfare services may be met, the fiscal planning of the several levels of government should provide (*a*) adequate

funds; (*b*) unearmarked taxes directly related to ability to pay; (*c*) Federal grants related to the State's ability to pay.

State distribution of available Federal and State funds to localities should be in accordance with their needs.

4. *Personnel.*—Competent service to be assured by the recruitment, selection, retention, and development of the best-equipped personnel in relation to the specific nature of each type of position.

(*a*) The public interests demand that competent service be assured in a public social service in order that public funds shall be administered in a way to preserve major human resources in a socially effective and economic manner. Professional functions should be performed by an adequate number of professionally qualified persons. A well-administered merit system which minimizes arbitrary restrictions (such as residence) offers the best assurance of such personnel in public service.

(*b*) Agencies should provide staff-development programs including orientation for new staff, continuous in-service training for all levels of staff beyond the orientation period, and a combined scholarship and educational-leave plan for which opportunities are made available to selected qualified staff to secure graduate professional training.

(*c*) All persons engaged in the administration of a public service should receive remuneration commensurate with the qualifications for and responsibility of the duties performed.

5. *Contribution to community organization for social welfare.*—Will depend on—

(*a*) Continuous research in community-welfare needs and resources.

(*b*) Provisions for modification or expansion of existing services and the establishment of new services as needed.

III. Social insurance

A nation-wide comprehensive system of social insurance should maintain family income and stability by providing basic security against the major risks of unemployment, maternity, illness, injury at work, extended disability, old age, and death of the wage earner.

The following aspects are considered essential in the development of a valid system:

1. *Organization and structure.*—Unified administration of an integrated national plan covering all the major hazards under one program.

2. *Program.*—(*a*) Coverage for every working person, including agricultural and domestic workers, employees of nonprofit organizations, public employees, and the self-employed.

(*b*) Benefits of such amounts and for such periods as to provide basic economic security for the insured and his dependents.

(*c*) Services: Ready availability of case work and other essential services to claimants needing and desiring them, such services to be provided by the insurance agency or by referral to the local public-welfare agency, in which case there must be financial participation in their provision.

3. *Finance.*—Financing of all phases of the program by periodic contributions from employers and workers, supplemented by statutory contributions from the Federal Government. Social-insurance funds must be adequate for the financing of benefits for such periods and in such amounts as to provide reasonable security and essential services for the insured and his dependents.

They shall also be available, from current income or reserves, for such research, and for the development and operation of community facilities and services which may contribute to the prevention of common hazards, or to their more-effective diagnosis and treatment, or reduce their cost to society by reducing or delaying their incidence.

4. *Personnel.*—Personnel to be well qualified for their respective tasks. Professional functions should be performed by an adequate number of professionally qualified persons.

5. *Contribution to community organization for social welfare.*—(*a*) Continuous evaluation of the extremely valuable data yielded by the operation of a comprehensive social-insurance program. Studies with special emphasis on extending our knowledge of the living and working conditions of people and of the hazards to which they are exposed.

(*b*) Such knowledge to be pointed up and interpreted in order to broaden and qualify the factual basis for social planning on every level, for each age and occupational group, and for other functional purposes.

OLD-AGE AND SURVIVORS INSURANCE

Old-age and survivors insurance should be strengthened by including those workers not now covered (to include the railroad retirement program); by reducing the age of eligibility for women to 60; and by adequately protecting the benefit rights of servicemen and other residual groups not now adequately covered who may need the establishment of arbitrarily ranged credits.

Benefits should be increased by changing the benefit formula, by raising the amount of income upon which contributions and benefits are computed, and by raising the minimum and maximum payments. Limitations as to the earnings of beneficiaries should be removed.

UNEMPLOYMENT INSURANCE

Unemployment insurance should be incorporated into a national comprehensive system of social insurance. This should also supply to the employment service a distinctive service scheme which is a companion service and essential supplement to unemployment benefits.

Benefits should be increased to provide basic, economic security for an unemployed person and his dependents by using a benefit formula which is adequate, by setting a sufficiently high maximum, and by assuring benefits of sufficiently long duration. Experience rating should be eliminated and punitive disqualifications removed. Benefits should include grants for dependents.

Coverage should be extended to specific groups now excluded and to employees of firms of one or two; also to the self-employed.

DISABILITY INSURANCE

A national plan should introduce comprehensive and adequate provisions to offer health and medical services and to compensate all working persons for loss of earnings resulting from illness or injury. This plan should include maternity benefits and services. Within an integrated national system, short-term disability insurance could be administered in connection with unemployment insurance.

Workmen's compensation—providing benefits and services for loss of earnings resulting from occupational illness or injury—should become an integral part of the national program. If maintained as a separate entity within a comprehensive system, essential adjustments would be required including broader coverage of persons and employment, general coverage of occupational diseases, improved benefits, and access to complete medical and rehabilitative service. Within the integrated national system extended, disability insurance could be administered in connection with OASI.

Comprehensive disability insurance, whether administered as one plan including all forms of illness and injury or whether affiliated with the benefit structure of the existent insurance plans, must provide, in addition to cash benefits for the compensation of the loss of earnings, such benefits in kind which will provide a full range of preventative diagnostic and treatment services of high caliber.

Mrs. STOLL. We have seen, through our experience in working with people, the disastrous effects of lack of income upon health, family life, and care of children. As a professional group we feel that we have a responsibility to make known what we have learned to those who must decide upon national programs which will affect all of the citizens for years to come. We would like to express our appreciation for this opportunity to present our views on the legislative proposals embodied in H. R. 6000.

Our general point of view: The association believes that the establishment of a comprehensive system of contributory social insurance should be the cornerstone of a public-welfare program. Public-assistance programs should be thought of as supplementary and complementary to the social-insurance program. Both programs must provide benefits for financial aid and services for meeting other than income needs.

We support the purposes and provisions of H. R. 6000 in general and are glad that the House of Representatives passed a bill which

could give increased security and assistance to those of our citizens whose needs have long been unmet. Our position on social insurance and assistance programs was described in detail in our testimony of March 18, 1949, before the House of Representatives Ways and Means Committee. In our present testimony we shall confine ourselves to recommending changes and modifications in H. R. 6000.

1. Old-age and survivors insurance: Our platform calls for the extension of social insurance to the entire working population and their dependents, and so we view the proposals regarding the extension of coverage in H. R. 6000 as a positive step. However, the omission of coverage for farmers, farm workers and part-time domestic workers is a grave defect which we expect the Senate Finance Committee to remedy. In agricultural States the number of old-age-assistance recipients is steadily mounting and in some instances surpasses the number of OASI beneficiaries. The exclusion of farmers and farm workers from the contributory system places a burden on States which they should not have to carry. We believe that all domestic workers should be covered as the Advisory Council on Social Security recommended. Persons in this group have low annual incomes and can rarely save for their old age. The majority of them work 1 day a week in various homes and could not meet the requirements for coverage under H. R. 6000.

2. Contributions by nonprofit organizations should be compulsory so that their employees can receive the same benefits as other employees.

3. We believe that the OASI benefits should be increased beyond the provisions of H. R. 6000 and that the formula for determining the worker's primary benefit amount which was recommended by the Advisory Council, should be adopted. OASI beneficiaries have a right to receive an amount which is sufficient to maintain themselves without having to turn to public assistance or private agency help for supplementation except in unusual circumstances.

4. We favor the so-called new start recommendations of the Advisory Council which provide that the older employee would become eligible for benefits after 6 quarters of covered employment rather than 20 quarters as required under H. R. 6000. This will make it possible for older persons who are contributing to the insurance system to qualify for benefits. Also, this will gradually relieve old-age assistance rolls which should not have to carry people who can provide for themselves through OASI.

Disability insurance: The disability insurance provisions in H. R. 6000 have our support because we know from direct experience in working with the permanently and totally disabled that their condition leads to the economic and social break-down of family life. The majority of disabled persons soon exhaust their resources and must turn to public agencies. A small number—less than 5 percent—receive workmen's compensation. A very few are covered by private insurance.

H. R. 6000 will make it possible for those who are covered for OASI and are permanently and totally disabled to receive benefits but there are no benefit payments for dependents. It appears to us that the dependents of the permanently and totally disabled are in as much need as the dependents of persons retired due to age, and so we

recommend that these dependents be given the same benefits as OASI dependents.

There are fears in some quarters that disability insurance will be hard to administer, that malingerers will take advantage of it. Experience under the veterans' insurance and railroad retirement programs gives conclusive evidence that disability insurance can be sound and workable.

It seems wasteful of human resources and public funds to provide disability insurance without regular means of rehabilitation for all who might be returned to self-support. Therefore, we recommend that H. R. 6000 include the provision that recipients of disability insurance be offered the opportunity for rehabilitation through a service such as a State vocational rehabilitation service.

1. Aid to dependent children: H. R. 6000 makes many long-needed improvements in the aid-to-dependent-children program but there are some questions which still concern us. According to the provisions of the bill, the Federal Government will participate in individual assistance grants up to $27 for the relative with whom the children are living, and $27 for the first child plus $18 for each additional child in the family receiving aid to dependent children. Contrast this with the provisions for old-age assistance whereby the Federal Government will participate in grants up to $50 a month for an aged individual. An elderly couple can receive $100 a month. Generally there is little difference in the cost of maintaining an elderly couple and the cost of maintaining a mother and child. We urge that provision be made for additional Federal participation in aid-to-dependent-children grants to bring these up to the standard of grants to aged individuals.

2. The definition of "a dependent child" in section 406 (*a*) of the Social Security Act, as amended, should be broadened to include any needy child living with one or both parents and deprived of support. If there were a general-assistance category, the need would not be so great to broaden eligibility for aid to dependent children. At present there are many needy children who receive inadequate assistance through State and local provisions. We feel that the Federal Government has a responsibility for sharing in the support of these children.

3. H. R. 6000 makes an important improvement in our present legislation by including the relative who cares for the child or children as a recipient of assistance. We recommend that section 323 (c) of H. R. 6000 be amended to include one or both relatives with whom any dependent child is living. This would make it possible for the mother and the temporarily disabled father, let us say, of a family of children to be included in the cash grant to the family. The bill as it now stands would include only one adult.

1. Child-welfare service: H. R. 6000 makes provision for increased participation in the program of child-welfare services but $7,000,000 in insufficient to meet immediate needs. Only one county in five has a child-welfare service worker to help children who need services because they are handicapped, born out of wedlock, or not receiving adequate care in their own homes. Child-welfare workers find and develop foster homes and supervise children in them. In this way children receive proper care and are prevented from becoming delinquent. Children are held in jails where they are confined with adult offenders and subjected to conditions that threaten their health and well-being because there are no facilities for juvenile detention or for

temporary shelter. Child-welfare workers under the child-welfare services program have helped States and local communities develop greatly needed facilities, services, and programs for children. We recommend that at least $12,000,000 be authorized as the annual appropriation for child-welfare services.

Aid to the permanently and totally disabled: The provision for aid to the permanently and totally disabled needy persons is a much needed addition to the three categories. However, we have long taken the position that assistance should be provided for all needy persons. Thus, we would recommend a general-assistance category with Federal matching. If Congress is unable to provide this at the present time, we would support the broadening of the aid to the permanently and totally disabled category to include all needy handicapped persons along the line of Senator Long's bill, S. 2163.

Medical services: Federal participation in the cost of medical services made available to recipients of public assistance is urgently needed but this should be provided in addition to the grant rather than within the grant ceiling. The grant maximums are too low to include medical and hospital care in many instances. For example, an emergency operation or protracted treatment in a hospital could not be paid within the ceiling of an individual grant. We favor the use of a formula, such as the one recommended by the Advisory Council to determine the amount of separate financial provision for medical services.

Variable grants: The matching formulas for public-assistance programs as provided in H. R. 6000 are an improvement over present ones in terms of Federal help in raising the level of payments to recipients. However, States which give subsistence-level grants will get a proportionately higher share of Federal funds than States which provide more adequate grants. Our platform calls for variable grants related to a State's ability to pay. We believe that all recipients should receive equitable treatment and that States should be helped, when necessary, to give this. The practicality of variable grants has been proven through other programs. Both the Hospital Construction Act and the School Lunch Act provide for variable grants on a per capita income basis.

Residence: The liberalization of the residence requirement in H. R. 6000 permitted to States in the aid to the blind and aid to the permanently and totally disabled programs, is a progressive move which has our support. We hold the belief that residence is an arbitrary restriction on eligibility which defeats the purpose of a human welfare program. Our industrial and agricultural systems require mobility in the working population. Families must move across municipal and State lines to get jobs. When death, family break-down, illness, or unemployment strikes, families find that they have not lived long enough in their present place of residence to be eligible for assistance. Another factor relating to residence requirements is that investigating residence and securing proof of it is a time-consuming effort which raises administrative costs and diverts funds which might have been better used in assisting needy people.

The experience of our members who live in States with low residence requirements or no residence requirements shows little evidence that people move into these States to get assistance, but rather for such reasons as to get employment or to join relatives. We recommend

that H. R. 6000 be amended so that a State is not permitted to impose a residence requirement as a condition of eligibility in any public-assistance program which has Federal matching.

Conclusion: As you can see from our testimony given above, we believe that H. R. 6000, with certain changes and modifications, can be a vehicle to increase the security and well being of many citizens and thus to enrich the common welfare.

The CHAIRMAN. Any questions?

Thank you very much for your appearance.

Mrs. STOLL. Senator George, I would like to tell you of an incident that came to my attention lately. Could I describe it to you?

The Chairman. Yes.

Mrs. STOLL. This concerns the need to cover people who work for nonprofit associations in the OASI program. It is the situation of a man of 59, with a wife and two children; two young children, because he married late in life. These children are 3 and 5. This man has only been covered by a private insurance plan in a national welfare organization—for 5 years. He has worked for this organization about 20 years. Recently he had a nervous break-down. If he tried to get early retirement under his private insurance plan he would get practically nothing. He will get little at 65. This man is incapacitated to work. Had he been covered by OASI for the last 20 years he could receive retirement insurance at 65. But here is a man of 59, with two children, with no coverage, who so much needs some kind of security. And I thought I would bring this to your attention.

The CHAIRMAN. Thank you very much. There are innumerable hardship cases that exist. There is no question about that.

Mrs. STOLL. Thank you, Senator George.

The CHAIRMAN. Mr. William Lee Callender? Will you identify yourself for the record?

STATEMENT OF WILLIAM LEE CALLENDER, WASHINGTON, D. C.

Mr. CALLENDER. My name is William L. Callender.

Mr. Chairman, in order to save time, may I skim rapidly over the high points in my written statement, please, sir?

Senator KERR. I would be interested in your telling us more about who you are.

Mr. CALLENDER. I am a private individual, and I represent only myself. I speak purely my own opinions, and they are based on long observation of the functioning of the Social Security Act, the means of administering it, with particular reference to existing inequities, and the over-all effect on the economic system.

Senator MILLIKIN. What is your occupation, please?

Mr. CALLENDER. I am free lance at the present time. I am a mechanical engineer. I was at one time employed in the General Accounting Office working on social-security accounts, and I first became very much interested in the law there, sir.

The CHAIRMAN. You may, if you wish to, insert your entire statement in the record and direct our attention to particular parts of it.

Mr. CALLENDER. Thank you, Mr. Chairman.

The proposals I wish to set forth here have two broad objectives; that is, to attempt to remove so far as possible the inequities in the present law; and to simplify a great deal of the detail and involved and

costly administrative work, both on the part of the Government and on the part of the employers.

I believe that Congress has only one real rightful course of action on this program; that is to bring every person in this country under the old-age and survivors insurance system, with the exception of a few cases. Those are, for example, newly arrived immigrants, employees of foreign governments, and so on just that handful. Also, of course, those that are under other Federal Government plans need not come under this insurance plan.

The procedure that I propose for doing this is quite simple. We have about 53,000,000 income tax returns filed every year on direct personal income. I believe that the old-age and survivors system can be based directly on these individual income tax reports for determining the primary insurance benefit and the other benefits that stem from that.

I propose the complete elimination of the pay-roll tax. The reasoning behind this is to obliterate all of the serious problems of coverage and the question of taxing charitable, religious, and nonprofit organizations. The question of making the housewife fill out forms, and farm laborers' coverage, and the matter of taxing State, local, and county governments are all involved. All of that can be eliminated if we get rid of this pay-roll tax.

Senator MILLIKIN. How would you take care of the problem so far as people are concerned who do not make income tax returns?

Mr. CALLENDER. In that case, Senator, as I have pointed out in my written statement, during the years when a person failed to file an income tax form, or have one filed for him by his employer, he would be assumed to have some minimum income, in the absence of fraud, of course, with which we need not deal here. If that condition prevailed throughout his productive lifetime, which would be a rare case indeed, that person, upon meeting the other legal requirements, would become entitled to a minimum primary insurance benefit.

Senator KERR. If there were a program in which there were benefits, but to which there were no contributions, that would reduce it simply to a pension program, would it not?

Mr. CALLENDER. Those cases would be very rare, I think, Senator.

Senator KERR. But in such cases as did come within that classification?

Mr. CALLENDER. That is true, Senator. But to the extent that my plan would work, as I see it, your old-age assistance could be reduced or eliminated in many cases.

The CHAIRMAN. Well, would it become a voluntary system?

Mr. CALLENDER. I don't think so, Senator.

The CHAIRMAN. I mean for those people, now, who do not pay income taxes, who make no returns. Would they be given the status of volunteers in this system? Or would they be brought in somehow?

Mr. CALLENDER. Those who pay no income tax? Do you mean wives?

The CHAIRMAN. Yes, or the many people who do not earn enough over and above their standard exemptions to even make returns.

Mr. CALLENDER. Those who do not make a return would come under it automatically, provided that in retirement years they had less than some minimum income. Now, in the great mass of cases, persons who do not file returns are wives of wage earners, whose benefits would stem from the primary insurance benefit anyhow. I think we would

have only a handful of cases in this country where the individual went through his entire lifetime and never filed an income-tax return. Does that answer your question, Senator?

Senator MILLIKIN. Well, you would compel a lot of people to file income-tax returns who now do not file anything except the necessary papers in connection with deductions from their wage envelopes.

Mr. CALLENDER. Their employers are filing for them withholding returns, Senator, and they must do that wherever the wage is more than just the minimum established by the withholding-tax table.

Senator MILLIKIN. And there are roughly, I would say, just as many housewives as there are house husbands, and most of the wives do not file income-tax returns. Senator George raised a very interesting question, to me. How about the housewives? You said that they would benefit secondarily. But would they benefit primarily?

Mr. CALLENDER. No. They would come under their husband's primary insurance benefit, just as under present law, Senator.

Over the years, gentlemen, you have had, when you worked over these income-tax laws, two aids in securing honest tax returns—the taxpayer's conscience and his fear. Neither one of them is ample to bring in reports of all sorts of income to a lot of little people from their side businesses, and so on. With the plan I submit, you have something new. You have an incentive for the individual to file a return and file an honest one. You may be sure, I think, that if the taxpayer knows that some time his family or he, or both, may need a benefit payment from the Government based on his own income-tax returns, he will think twice before he files a return that is short in any respects.

Senator KERR. Now, if he is motivated by both conscience and fear, each of those might produce one thought. So maybe he is thinking twice now.

Mr. CALLENDER. Could be. Maybe he would think three times, Senator.

Senator KERR. That would be some improvement.

Mr. CALLENDER. It would be some improvement, I think, Senator; a decided improvement.

Senator MILLIKIN. Can you tell me what conscience or fear operates where the employer makes the return?

Mr. CALLENDER. None; none that I know of. That is mostly for the self-employed and persons who have little side businesses.

Members of Congress have been struggling more and more as time has gone along with the problem of "quarters of coverage." I wager every Senator on this committee has many letters that are bitter and resentful from old folks who have found that they have almost but not quite enough coverage. Now they say they are too old to get a job where they can acquire that coverage. H. R. 6000 proposes to liberalize the term "fully insured." But it is only stopgap, because it increases the circle, and you still find more people standing just on the outside of the new circle which is drawn; unless, as I propose, your circle is all encompassing. I believe that H. R. 6000 will only confound the problem, in other words.

From the foregoing, you may see that I wish the reserve fund theory abolished. The reasoning behind it is simply this. The Federal Government in reality cannot create an honest reserve out of which people working today are supposed to draw in the future; because, as it is necessary to cash in those alleged reserves in future

years to meet needs existing at that time, it must then go to the people who are still paying taxes in order to get the cash to meet those obligations. There simply is no other way to do it under our system of Government.

Senator KERR. How would you get it under your proposal?

Mr. CALLENDER. A pay as you go plan, Senator. I propose that the income tax blank contain a small block which would be headed something to the effect of "Tax for old-age and survivors benefits." The taxpayer would enter his share of the current year's requirements, as estimated in advance, of course, by the Treasury.

Senator KERR. Totally disassociated from what might be needed to take care of him when he became eligible, and handled on a basis that his and other payments would meet the needs of those eligible today?

Mr. CALLENDER. If I understand you correctly, Senator, he would pay today his share of current needs.

Senator KERR. Well, whose current needs?

Mr. CALLENDER. The current needs for the persons receiving today the insurance benefits.

Senator KERR. That would be the payment of the cost of taking care of those now eligible?

Mr. CALLENDER. That is right, Senator.

Senator KERR. Without any regard either to the needs he might have one day or regarding his equity with reference to the money he had paid in to the program being made available or kept available to pay back to him?

Mr. CALLENDER. Well, the suggestion I have made here is, for example, "1 percent of the first $7,500, minus 1 percent of the first $600 of gross income." I don't say that that figure is right or proper. That is just an example. However, the $7,500 figure would be the maximum usable in future years for calculating his benefits. For low-income persons, of course, you would have a lower figure there. Higher-income persons would still have only $7,500 maximum usable for any 1 year as we now use the $3,000 maximum figure.

I only wish to stress this: I believe that the current taxpayer has a right to see the true cost of the current program. Now, that cost is bound to go up over the years. There is no avoiding that. The people at that time will have to pay an increased percent, perhaps on an increased amount, to meet the needs of persons my age, for example, when retirement comes. But that is inevitable anyhow. Your reserve-fund system does in no way eliminate that condition.

Senator MILLIKIN. In the meantime, you are contributing something economically to the system out of which the costs must come?

Mr. CALLENDER. I am supporting the people that need it during my productive time, Senator, and then looking to those coming behind me to support me. That is what it amounts to.

Senator KERR. That is right.

Mr. CALLENDER. I hold that there is no other way under the sun in which it can be done. The retired people looking to the reserve fund can't eat the bonds. The bonds have to be turned into cash and the cash used to buy food. Food must be provided by people who are still working. There is no other way under the sun that I know of, Senator.

I believe, in closing, that above all Congress should never set forth a financially unsound plan, as some States have done; and I believe furthermore that people should be permitted to continue to work, or have, that is, really a certain income, thereby adding to the gross national product, without having their benefit payments shut off completely. The objective there is to get away from the depression-born thought that we should push out the older people to make way for the younger. We actually need the older people to produce more goods, because we need more goods these days.

I believe that is all, Mr. Chairman.

The CHAIRMAN. Are there any questions?

Thank you very much.

Mr. CALLENDER. Thank you, Mr. Chairman.

(The prepared statement of Mr. Callender follows:)

STATEMENT OF WILLIAM L. CALLENDER

PROPOSALS FOR CHANGES IN OLD-AGE AND SURVIVORS INSURANCE SYSTEM OF THE FEDERAL SOCIAL SECURITY ACT

Mr. Chairman, and gentlemen of the Finance Committee, my name is William L. Callender. I am just a private American citizen. You have been kind enough to allow me a few minutes' time for the purpose of describing a plan for modifying the system of old-age and survivors insurance benefits under the Federal Social Security Act. I speak only for myself, representing only, I feel, the best interests of the people of this country.

The plan which I wish to outline here is the result of study at odd moments, covering many years, of the actual functioning of the old-age and survivors system, the methods of administering it, the means to pay for it and the over-all effects on our economy.

I do not offer to you here any scheme by which all the old folks are supposed to be carried along in a glorious dream-world of plenty while the rest of the population is expected to ride the crest of a perpetual wave of prosperity. Rather, I think, the program here submitted is completely realistic and decidedly more workable than we have at present. Critical analysis is invited.

My proposals have two broad objectives—along with several of lesser significance: (1) To remove, so far as possible, the inequities of the present system; (2) to simplify, and in many respects eliminate, some of the involved and costly administrative detail both on the part of the Government and the employers.

Congress has available, in my opinion, just one rightful course of action in regard to coverage by old-age and survivors insurance. That is (with a couple of slight exceptions) every person in this country not now under some other plan of the Federal Government should be brought under old-age and survivors insurance coverage. Since everyone must pay a part of the costs, everyone is morally entitled to some of the benefits. The only desirable exceptions I can think of are newly arrived immigrants, employees of foreign governments, and the few others in that general class.

The procedure for bringing everyone under old-age and survivors insurance to be here suggested is simple in comparison with existing procedure. Indeed, its one curse from the point of view of red-tape enthusiasts is its utter simplicity. It calls for one set of records for the employer and one for the Government, instead of the existing two each.

About 53,000,000 income-tax returns are filed each year. This means that most everyone having a direct income files with the Federal Government each year an income-tax form, or has withholding forms filed for him by his employer. These income-tax forms filled out and filed over the years by each individual during his productive life, I believe, constitute the ideal basis for determining a primary insurance benefit, and of course for fixing benefits stemming from it.

I propose, then, the complete elimination of the pay-roll tax and its attendant complications. At one stroke, we can avoid further consideration of the old question of taxing religious, charitable, nonprofit and other organizations in this category. The same can be said of the problem of taxing State and local governments. Nor do we have to think of harassing the housewife with pay-roll-tax forms in order that her household servants may receive equitable treatment at

the hands of their Federal Government. Farm labor is another segment of our society not now in covered employment which would, of course, be brought in automatically. Are not all these people worthy?

It is my recollection that an employee of a florist is in covered employment while in the greenhouse, but not while out in the field. Then there are the countless questions concerning "casual employment," "employment in the employer's usual line of business," etc., etc. You may recall that, at least in the past, the battery of lawyers in the Bureau of Internal Revenue, which collected the tax on "covered employment" could not always agree with the corresponding group in the Social Security Board where payments were disbursed. This is not to belittle these well-meaning men—the wonder is that they did so well in the maze of complications. Such hairsplitting would be done with, however, if my plan were adopted.

In fact the term "Covered employment" (and similar terminology) would simply disappear. Everyone would be covered one way or another—either as established by his income-tax forms, or as now, by being the "wife, widow, child, or dependent parent" of the principal.

In the years when an individual failed to file an income-tax form (and had none filed in his behalf), he should be assumed to have had some minimum income (in the absence of fraud, with which we need not deal here). And in those rare cases where such condition prevailed throughout his lifetime, he would, upon meeting the legal requirements, become entitled to the "minimum primary insurance benefit." To the extent that personal needs were fulfilled by this means, old-age assistance could be reduced.

Objection may be raised to my views concerning the elimination of the pay-roll tax on the ground that, "* * * now the employer pays half the tax, while you want to load it all onto the employee * * *." Here, we run into one of the most prevalent of all economic fallacies—that the employer pays a tax. In reality, no such condition exists at all, except for the brief time while some employer is going broke. Incidentally, an employer who is losing money won't provide for his employees much social security for very long. No; on the contrary, the so-called employer's share of the tax is made up by his customers. You can't buy a loaf of bread—or any product or service for that matter—without paying part of someone's social-security tax. You must also help to pay for all the heavy overhead involved in endless detail. Only nonprofit organizations, housewives, etc.—those who cannot pass a tax on—would actually pay a pay-roll tax. And these are all exempt under present law, their employees forever paying but never receiving.

Now, I believe that the income-tax form should have a small block set aside for the noting of tax for old-age and survivors' benefits. Herein the taxpayer would figure his share of current costs of these benefits, as for example, 1 percent of the first $7,500, minus 1 percent of the first $600, of gross income. I do not suggest that either this percent nor the amount on which it is based is the proper figure. I only urge that the item be set apart so that the taxpayer may see it and know that his share, plus that of each of the other millions of like persons, equals the amount being currently used for old-age and survivors' benefits. Also, the figure, $7,500 (or some other legally established amount), would be the maximum figure usable for any one year in calculating average income when the time came for the taxpayer or his survivors to receive insurance benefits. Each figure in the withholding tax tables would simply include the above tax.

From the foregoing, it is apparent that I wish to see the reserve fund theory abolished. I cannot emphasize too strongly my firm conviction that it should be stricken out and obliterated from our thinking. The notion that the Government can actually create a legitimate reserve fund is sheer nonsense. It has no reality in fact and is a cruel trick on the unsuspecting.

When people receive money in the form of insurance benefits from the Federal Government such money must be collected from current taxpayers. There simply is no other sound way in which it can be done. The introduction of reserve fund ideas succeeds purely in multiplying administrative details for which the taxpayer must pay in addition to the other costs. This must always be so, for, as it becomes necessary to convert reserves to cash for meeting obligations falling due, taxpayers are still the only source of cash.

Mr. Chairman, and gentleman of the Finance Committee, you have had the burden year after year, of rewriting tax laws and I'm sure you have done the best job humanly possible. But you have had at your command just two aids in securing honest tax returns—the taxpayers' conscience, and his fear. We all know neither is ample to bring in true reports from all sorts of people concerning their little side businesses, etc.—not to mention the completely self-employed.

But you have here something new—at least a small incentive to file a true report of income. You may be sure that if the taxpayer knows that his own tax returns are to be used in calculating benefits he or his family may some day need, he will think twice before overlooking that money made on the side. The reasoning behind the seemingly high figure of $7,500 becomes more clear when examined in this light; it is expected to capture more stray taxes.

Members of Congress have been struggling with numerous cases where claimants for old-age benefits suddenly found that they didn't have quite enough quarters of covered employment. And now they are too old to get a job where they may subsequently acquire this fully insured status. I would wager that every Senator on this committee has received numerous heart-rending, bitter, resentful letters from old folks telling how they worked during the war, paid their taxes, etc., only to be shocked into the realization that their Government has left them out—and they can't even get their taxes refunded. H. R. 6000 contains certain provisions for liberalizing the definition of the term, "fully insured." Such means is, at best, only stop-gap, because it would only create a new and more vast group that has almost, but not quite enough, covered employment.

Under the plan presented here, I again stress that all such cases would simply cease to exist, because, with the few rare exceptions mentioned, every man, woman and child in this great country of ours would fit into the plan, unless already under some other federally operated system.

Of two things I feel certain: Congress should never obligate the taxpayers to a financially unsound plan as has been done in some States. Secondly, Congress should provide for allowing the recipients of benefits to continue working—that is, adding to the gross national product—without suffering an undue reduction in their payments. This, I hold, is absolutely essential to continue to meet increasing total amounts of these benefit payments.

Hoping that you may find the merit that I believe exists in the proposals I have outlined and will consider them most carefully, I thank you kindly, Mr. Chairman and gentlemen.

The CHAIRMAN. Mr. Marion Owen, of Philadelphia.

STATEMENT OF MARION OWEN, PHILADELPHIA, PA.

Mr. OWEN. Yes; just at the present time.

The CHAIRMAN. Are you here for any organization?

Mr. OWEN. No. No; I guess I represent the common people and myself, as far as I can.

Did you have this [handing]?

The CHAIRMAN. No, sir; I do not think I have it.

Mr. OWEN. The system?

The CHAIRMAN. No, sir; I do not think I have seen it.

Mr. OWEN. Well, this is rather fundamental. I am a fundamentalist, myself, and my idea is that the Government should provide the right of life, liberty, and the pursuit of happiness. But the Government can't go and give people money. They can give them the opportunity to get credit and pay it back. And this is a fundamental idea, in this way: Supposing that the Government issues scrip, $1, $5, and $10 bills.

Senator KERR. What do you think they are issuing now?

Mr. OWEN. They should issue scrip and call it welfare, if you want, and stamp it "welfare," and guarantee to pay it in 10 years. In other words, Government stands by and says that will be paid 100 cents on the dollar in 10 years.

Now, then, I am out of money, we will say, and I go to the post office an established agency of the Government, and I go there and I sign a note, and I sign that note that I can draw $10 a week. I am out of money, and I go and get $10 a week. All right. I pay 6 percent for the first year. They take it out, so it gives me $9.40. I can do

that every week if I am out of money or I am out of work. I know that I am protected by my Government; that I can live, have the right of life, liberty, and the pursuit of happiness. I don't have to take it. I don't have to take it unless I need it. It is based entirely on need. The Government isn't going to put out any money, but it is going to to guartanee that that paper in 10 years is going to be redeemed.

Well, in the meantime, I agree, when I sign that note, to pay back 20 percent of my earnings on that note. It is liquidated. In other words, it is a temporary guaranty that I can live. And I go to work, and maybe I am a month out of work, and then I get a job at, say, $30 a week. I pay 20 percent. That is $6, and I pay that on the note. And I don't borrow any more. See? I don't borrow any more until that is liquidated.

Now, in other words, the Government can't be out anything unless at the end of 10 years there is a deficiency in the payback, in the return of the money.

Now, there are millions of people that need money. They need cash; they need credit. Well, if they could go right to the post office, their home post office, and sign a note for $10 every week—say a man has two children, he is out of work, him and wife. He can get $10, his wife $10, and his children $5. That is how much? $30 a week. That is as little as four people can live right. He is out of work for a month or 2 weeks. When he goes to work he starts paying 20 percent of his money, of his earnings, right over to the post office.

The CHAIRMAN. Suppose he never started to work and just decided he would not work any more?

Mr. OWEN. Oh, no. No. That wouldn't be so. Eighty percent of the people are absolutely on the level and honest. And the other 20, because of their ignorance and one thing and another, you would have to check up on them. That is what I say here. Twenty percent of the people might have to be checked up. Now, 80 percent of the people are on the level. They will be glad to have that credit.

Now, he wouldn't want that credit cut off, would he? If he refuses to pay back or play square, what is the result? The result is that he would be put out on the road and made to build roads at so much a day until he pays his debt.

Senator KERR. Now, that is an interesting development.

Mr. OWEN. We will assume that he is honest, that a man is asking to get credit. A man has a wife and two children and he wants to live. He comes to the post office and he signs for $10, and she signs for $10, and the children $5 apiece. Those children are covered by a thousand dollars insurance. Fifty cents a week is taken out and paid for a thousand dollars for each of the children. When they are 16, if there is no debt, they get that money to go on with their education. If there is a debt, it is taken out of that insurance. That insurance must not ever go to the people. There is no inducement. It must go to their fund, to this credit fund.

In the first year, out of this 6 percent, 4 percent goes to a sinking fund for redemption and for covering losses and anything like that. Two percent, the postmaster gets for his work, for his clerical work. All the Government would be out today would be to print the book of scrip and send it to every postmaster in the country with a letter of instructions, and notes, the blank notes and all, as to just what he is to do. Then, immediately that is there, everybody in the country is

notified by posting in the post office, that if they need money, need credit, they can come and get this scrip.

The CHAIRMAN. I believe the news would get around, Mr. Owen.

We thank you very much for your appearance. Do you want to put your plan in the record, so that we will have a chance to examine it?

Mr. OWEN. I do. Yes; certainly.

This was offered to Herbert Hoover in 1930, and he called a committee of 100 men, and the chairman of that committee wrote me a letter saying they approved of it and referred it back to Congress. But just at that time, you know, there was a turn-up, and it went Democratic, and everything, and the result was that there wasn't much chance.

Senator KERR. You think if Hoover stayed in you would have put it over?

Mr. OWEN. No. I don't know about that.

I would just like to read you something, here.

It is universal in application.

The United States guarantees the payment in 10 years, 60 percent in scrip of $1, 25 percent in $5, 15 percent in $10. The pay-back is attached to the earnings or income. No one to be denied cash for note weekly.

I mean, when I say cash, scrip.

Every dollar spent in small business nets 10 percent.

Ten turns and you have the dollar in created wealth.

Among the small people, you know. See? They are the people who need it. No man of any standing or wealth is going to ask for $10 a week if he can help it, because he doesn't need it, but there are so many thousands of people who need that little bit of money. You know, it just saves them from the wear and the tear.

Senator MILLIKIN. Mr. Owen, if you are a large fellow, you go to RFC?

Mr. OWEN. Yes. That is it.

Eighty percent of the borrowers will pay back; 20 percent out of ignorance, or maybe 5 percent out of trickery, may need be inspected or inspection. Eighty percent of all crimes are caused by poverty.

That is the story of the Russell Sage Foundation. I was talking to them. And their estimate was that 80 percent of all crimes came through poverty. There can't be any poverty with this. And the people have to pay it back when they go to work. They can't have it unless they give 20 percent of it back, windfall or anything else. And at that point, it is a ceiling under poverty, $10 a week.

The CHAIRMAN. We thank you, sir, very much for your appearance.

We have your plan here before us, and we thank you very much for it.

Mr. OWEN. There is a lot more here of the same thing.

The CHAIRMAN. Thank you, sir.

Mr. OWEN. Thank you

(The plan referred to follows:)

Approved by committee of 100 appointed by President Herbert Hoover in 1931.
"Pledged that this Nation shall forever endure."

OWEN SYSTEM

Be it enacted by Senate and House of the United States of America in Congress assembled,

LOANS TO ALL WHO REGISTER

Photo, fingerprint, signature, age, weight, complexion, nationality, married or single, names of wife and children, trade or business, and sign note:

I promise to pay this note from one dollar of every five of income, and 6 percent interest—2 percent to expenses, 4 percent to cover loss.

Signed .....

WEEKLY LOANS AND PENSIONS

All persons from 16 to 60 years	$10
Pensions:	
Over 60 years	20
Over 70 years	30
Over 80 years	40
Child pension, under 16 years (50 cents weekly to $1,000 insurance)	5

Terms: Pay no old debts, cash in hand, no intoxicating liquors, no gambling or chances, spend within 90 days.

Break this depression in 2 weeks. Restore the buying power of 50 millions of our people at once. Every dollar put in circulation earns its way and pays off itself. Eighty percent are honest and will repay. Twenty percent to be made to work.

UNLAWFUL TO DISCOUNT SCRIP

United States to issue non-interest-bearing scrip due in 10 years (100 cents, $1) $1, $5 and $10 bills, redeemable by 20 percent payment of income by borrowers. Board of seven (two to be women), House to elect four, Senate three.

"HOME RULE"
MR. MARION OWEN,
3210 Wheaton Road, Kensington, Md.

Mail to your Congressman and Senator at once

It is universal in application the United States guarantees the payment in 10 years. Sixty percent in scrip of $1; 25 percent in $5; 15 percent in $10. The pay-back is attached to the earnings or income. No one to be denied cash for note weekly. Every dollar spent in small business nets 10 percent. Ten turns and you have the dollar in created wealth. There can be no inflation as the more spent the more business and the quicker pay-back. Eighty percent of the borrowers will pay back 20 percent out of ignorance or maybe 5 percent out of trickery. May needs be inspected or inspection. Eighty percent of all crimes are caused by poverty. This a floor under poverty estopped at $10. Weekly give the cash mother knows how to spend the money better than you can tell her. All fear of poverty is removed at once. The post office is the established agency of the Government; pay postmasters 2 percent for clerk hire. No pull, endorsement, or security is needed to get the money. Just sign note and live up to it; does not interfere with established institutions, charities, credit bureaus, or loaning banks. Uncle Sam will supply your needs in cash, you pay 6 percent for the favor. The right of life, liberty and the pursuit of happiness. Feed my sheep.—Jesus.

The CHAIRMAN. Miss Myrtle Williams is our next scheduled witness today. Miss Williams, will you come forward?

Miss Williams is not present. Therefore, the committee will recess until 10 o'clock tomorrow morning.

(Thereupon, at 12:20 p. m., the committee recessed until Tuesday, January 31, 1950, at 10 a. m.)

SOCIAL SECURITY REVISION

TUESDAY, JANUARY 31, 1950

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

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Robert S. Kerr, presiding.

Present: Senators Kerr (presiding), Myers, and Millikin.

Also present: Mrs. Elizabeth B. Springer, Acting Chief Clerk, and F. F. Fauri, Legislative Reference Service, Library of Congress.

Senator KERR. The committee will come to order.

We will hear now from Mr. Marion B. Folsom, treasurer of the Eastman Kodak Co.

Good morning, Mr. Folsom.

STATEMENT OF MARION B. FOLSOM, TREASURER, EASTMAN KODAK CO.

Mr. FOLSOM. Good morning, Senator.

I wish to give my personal views, based upon a number of years of experience in this field. I was an employer member of the Advisory Council on Social Security, which the Senate Finance Committee appointed a short time ago, and I also served on the two previous advisory councils in this field. I have also had several years of experience with the Eastman Kodak Co. pension plan both here and abroad.

I have a statement here which I will file. I will read part of it, but I do not intend to read all of it.

Senator KERR. All rights, sir.

Mr. FOLSOM. I shall confine my statement primarily to the changes which I would suggest in the provisions of H. R. 6000 relating to the old-age and survivorship insurance plan, but with some comment on the old-age assistance and disability insurance provisions.

I am in thorough accord with the basic principles of the contributory insurance plan, and believe that this plan offers the best method of meeting the economic problem of the aged. Joint contribution by pay roll tax is a sound method of financing. The plan fits well into our economic system, with contributions and benefits depending upon the individual's earnings. If the original objective is maintained, that is, to provide a basic layer of protection, it will not interfere with the incentive of the individual to save during his working life so that he can add to this benefit. Likewise, individual companies will often wish to provide additional pensions through voluntary private plans.

Senator MILLIKIN. Mr. Folsom, how can we assure that the benefits paid to the contributors, when they are paid, will have some relation in value to the amount of the contribution which they put in?

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Mr. FOLSOM. You mean in view of the changing value of the dollar?

Senator MILLIKIN. That is right.

Mr. FOLSOM. There is no protection that we have against that. That is one of the reasons we are in trouble right now: because of the sharp increase in prices since 1940, and because the benefit structure did not adjust for that. I will explain later on why I think we should change the benefit plan now in order to correct that defect. But I think it is going to be necessary every few years to look this system over, to be sure that the benefits are in line with current wages and current costs of living. In other words, we have to adjust as we go along.

Senator MILLIKIN. You discuss that later in your talk?

Mr. FOLSOM. Yes, sir.

Senator MILLIKIN. Thank you.

Mr. FOLSOM. Now, all three advisory councils which have studied this problem have reached the same conclusion—that the contributory insurance plan is preferable to the old age assistance method or to a free pension system.

Your committee's Advisory Council, which consisted of 17 members, representing employers, employees, and the general public, stated in its report of 1948:

> Public-assistance payments from general tax funds to persons who are found to be in need have serious limitations as a way of maintaining family income. Our goal is, so far as possible, to prevent dependency through social insurance and thus greatly reduce the need for assistance * * *.
>
> The council has studied the existing system of old-age and survivors insurance and unanimously approves its basic principles.

I will comment briefly on the old-age assistance plan, which of course is simply charity relief and offers no incentive for the individual to provide for his own old age.

It was recognized in the beginning that the insurance system was preferable, but the assistance plan was necessary to take care of those who were already aged and in need and as a stopgap until most workers could be brought into the contributory system.

Unfortunately, the program has not worked out as contemplated, mainly because the insurance system has not been extended to all those gainfully employed. The benefits and the beneficiaries under the assistance plan have increased rapidly.

The fears which many had at the beginning, about the shortcomings of the plan, have already been realized in some States. Due to the liberality in the rules for eligibility, a high percentage of the aged persons qualify in these States. The Federal Government's share of the cost has been greatly increased from the original dollar-for-dollar basis. Because of this increasing proportion of the payment by the Federal Government, the States have not been as careful as they otherwise would be in defining "need."

Senator MILLIKIN. Mr. Folsom, do you believe that we can evolve an insurance system that will provide benefits that will provide subsistence, reasonable subsistence, for the aged who contribute?

Mr. FOLSOM. Yes, sir, I do. Of course, we can't take care of those who are already over 65, but we can as to the rest of the population. We can for the future.

Senator MILLIKIN. We had the theory originally that the insurance payments would not be allowed to rise to a real subsistence level, on the theory that that would depress incentive for people to save.

Mr. FOLSOM. No, I think that if we keep it at the subsistence level as a basic layer of protection, you will not cut down on the incentive, and if you provide that much you will not need old-age assistance.

Senator MILLIKIN. Under the present cost of living, what would you say is the subsistence level?

Mr. FOLSOM. I bring that out later on in the statement, Senator.

Senator MILLIKIN. All right.

Mr. FOLSOM. There is a wide variation in the percentage of persons who qualify for old-age assistance, ranging from below 10 percent of those over 65 in some States to over 80 percent in other States. The average for the country as a whole is 23 percent. There will undoubtedly be a tendency in the future for the States with a low percentage to relax their rules so that they will not be so out of line with other States. If this happens, the cost of the program will increase even more rapidly than in the past. The cost of old-age assistance in the year 1949 was approximately $1,300,000,000 compared with $430,000,000 in 1939.

Senator KERR. Does that contemplate State and Federal cost?

Mr. FOLSOM. Yes.

Senator KERR. All right.

Mr. FOLSOM. Of this cost, the Federal Government's share in 1949 was $900,000,000. In any event, the cost of this program will continue to increase for several years, because more people will be added to the rolls each year than will be dropped because of death.

To correct this situation the following steps should be taken, in my opinion:

(1) Strengthen the contributory insurance plan by extending it to all those gainfully employed as soon as possible and thereby reduce considerably the number who will be added to the assistance rolls in the future.

(2) Hold down the Federal grants for old-age assistance to the present level of benefits.

(3) Shift gradually the old-age assistance entirely to the States for those who cannot be covered adequately under the insured plan.

If the proposals in H. R. 6000 to increase further the Federal Government's share of the cost are adopted, there will be an even greater incentive for the States to relax their eligibility rules.

Senator MILLIKIN. What do you mean by No. 3, Mr. Folsom?

Mr. FOLSOM. After we get universal coverage, the need for the old-age Federal grants will, of course, go down. Then I think we ought to have some way in which we can cut down gradually on the Federal grants to the States and put that burden on the States of supplementing the insurance plan.

Senator MILLIKIN. The whole tenor of most of the State witnesses has been somewhat in the opposite direction. They favor extending the insurance system, but they want to get the States out of public assistance; for obviously under the insurance system the individual pays the bill in the first instance, whereas under public assistance, the State taxes have to make that up.

Mr. FOLSOM. I agree that we want to shift it as fast as we can to old-age insurance, but I think we should put more pressure on the States, then I think they would not be so easy on the eligibility requirements.

Senator KERR. Mr. Folsom, you recommend three steps there to do that which you say would correct this situation.

Would the permission to earn a few dollars a month by those on these assistance rolls, as exempt from consideration of the amount paid them to meet their needs, be another way in which the amount of the grant could be reduced?

Mr. FOLSOM. I had not thought of that in connection with assistance. I think we have got to be much more liberal than we have been in connection with old-age insurance. I would not want to say definitely, though, about assistance.

Senator KERR. As long as the rule is rigid that anything they earn would bring about a like reduction in what they are given, they are certainly going to be discouraged; or the least you could say is that they will not be encouraged to earn anything for themselves.

Mr. FOLSOM. Yes.

Senator KERR. Is it possible that there might be a considerable percentage of them who would welcome the opportunity to earn a little, with almost as much enthusiasm as they would welcome an additional grant with the prohibition from earning remaining on them?

Mr. FOLSOM. The trouble about that is that in determining whether they should get this assistance, their income must be taken into account. Of course, the amount varies with the individual case, and there must be taken into account what the person's income is and what his needs are.

Senator KERR. Suppose that either earnings from any source or earnings from certain sources, maybe such as agricultural production, up to $25 a month, say, would not be taken into consideration in determining the amount they would receive.

Mr. FOLSOM. Of course that, in effect, is a flat pension of $25; and I do not see why you would give it to those people any more than you would to anybody else.

Senator KERR. Well, you would give it to anybody.

Mr. FOLSOM. You mean a flat pension to everybody?

Senator KERR. No. You would not be giving them a pension. You would not give any more money than you now give. But you would not take into account the first $25 which anybody earned.

Mr. FOLSOM. Well, I would be afraid that that might make the grants quite a little higher than they are now.

Senator KERR. You would?

Mr. FOLSOM. Yes.

Senator MILLIKIN. I want to say that I am in favor of considerable parts of this system under honest labeling. But I think this system has little relation to a sound conception of insurance. If I buy private insurance policy to pay me $50 a month when I am 65, the insurance company does not figure around as to how to reduce that because I might be making some money when I am 65.

Mr. FOLSOM. You are talking about insurance, Senator, and I was speaking about assistance.

Senator MILLIKIN. Well, about insurance, then.

Mr. FOLSOM. As to insurance, I take that point later on, Senator, and I favor more liberal treatment of earnings.

Senator MILLIKIN. All right.

Mr. FOLSOM. Another method of checking the growth of the old-age assistance program would be to pay no Federal grants-in-aid to persons newly qualifying for benefits under the old-age insurance program. The States would, of course, remain free to supplement the Federal insurance benefits on a true-needs basis if they desired.

Senator KERR. How could you accomplish that objective?

Mr. FOLSOM. By simply providing in the old-age assistance part of the program, here, that there would be no grants-in-aid to persons who from now on are put on the old-age insurance program. In other words, the Federal Government would not grant them any more in the way of assistance.

Senator MILLIKIN. We now have certain requirements of eligibility, do we not? Would you change those? Or just say that those that were under the wire as of the date of the passage of the act would be retained, but it would be frozen at that point and no new ones permitted to come in, even though they had the elements of qualification of those already under it?

Mr. FOLSOM. Provided they receive these old-age insurance benefits. In other words, these are the people who are getting old-age insurance benefits. And just say that they will not get assistance on top of that.

Senator MILLIKIN. Oh, you would limit the restriction to those getting benefits under the old-age insurance plan?

Mr. FOLSOM. That is right.

Senator MILLIKIN. I did not understand.

Mr. FOLSOM. That is only a short step.

Senator MILLIKIN. Taking that last paragraph on page 3, Mr. Folsom, the first sentence assumes that the insurance benefits will provide basic subsistence.

Mr. FOLSOM. Yes, sir; assuming that it is going to be improved along the lines I suggest later.

Senator MILLIKIN. And then the next sentence reads:

> The States would, of course, remain free to supplement the Federal insurance benefits on a true-needs basis if they desired.

I think as a practical matter, Mr. Folsom, if the States start to supplement the subsistence level on a further needs basis, you will then have pressures here at Washington to continue the contributory features.

Mr. FOLSOM. Of course, we already have that now. And in any insurance plan that is gotten up to provide this minimum basis, you are always going to have individuals who won't quite meet that test who will probably still need some assistance.

Senator MILLIKIN. Then you have no hope of getting rid entirely of Federal contributions for assistance.

Mr. FOLSOM. Yes, I do. But I think that load ought to be put on the States. When you get the insurance plan on the right basis, that will take care of the greatest part of this load.

Senator MILLIKIN. Most respectfully I suggest to you that they will never take it.

Senator KERR. I understand his position now. He recommends first that the insurance program be broadened and extended to cover all workers. Then he recommends that as persons reach the age of 65 and come under the old-age insurance program, they then not be eligible for Federal assistance in the assistance program.

Senator MILLIKIN. Yes, I understand that too. But he leaves room for additional State assistance to the insurance benefits.

Senator KERR. He could not prevent that anyway.

Senator MILLIKIN. We could not prevent the States from doing it. And I am suggesting that we could not prevent the States from pres-

suring us to continue Federal contribution. So instead of it being a State addition, we would wind up with the same system we have now.

Mr. FOLSOM. It would be much better if you had more adequate benefits under the insurance program. That is what I am suggesting.

Senator MILLIKIN. But this is not a static subject. Every increase becomes a floor for another one, politically speaking.

Mr. FOLSOM. You would have a lot more pressure to hold it down if you have more of the load on the State than the Federal Government, because then it is tied up with taxes in that community.

Senator MILLIKIN. The State, when it gets that load, or when it contemplates assuming that load, immediately puts the pressure on at Washington to have the Federal Government share it. That is why we are sharing now.

Mr. FOLSOM. I think you will just have to withstand that.

Senator MILLIKIN. That is a very logical solution, but it presents a rather difficult political problem. We do not run this Government on strict logic, nor should we.

Mr. FOLSOM. I agree with the conclusions of your Advisory Council that the present insurance plan has three major deficiencies: (1) many workers are not now covered; (2) the benefits are inadequate; (3) eligibility requirements for many older workers are too restrictive. You might be interested to know that of the 22 recommendations your Advisory Council made to correct these deficiencies in the insurance plan, we were unanimous in respect to 20. We differed only in regard to the tax base and the method of taxing nonprofit organizations.

Senator MILLIKIN. Mr. Chairman, I do not know whether it has come to your attention, but Mr. Folsom was on the original Advisory Council prior to the setting up of this system. He has followed it all of these years, was a pioneer in it, and I regard him as a very wise hombre in this business.

Mr. FOLSOM. Thank you, sir.

Senator KERR. The chairman so advised me this morning and expressed his deep regret that he was not going to have an opportunity to hear Mr. Folsom.

Mr. FOLSOM. If the insurance system is not strengthened soon, there is a grave risk that the plan will come into disrepute and be abandoned for either the old-age assistance or the free-pension method. It is therefore very important that action be taken by this Congress to improve the insurance plan.

The proposals in H. R. 6000 are intended to correct these deficiencies. The Ways and Means Committee, in its study, gave consideration to the findings of your Advisory Council as well as the Calhoun study made for their committee some years ago. In some respects the provisions conform with the recommendations of the Council but in other respects they do not.

The several advisory councils which have studied this matter have recommended that the contributory insurance plan should be extended to cover all gainfully employed as soon as it was feasible from an administrative point of view. Universal coverage was contemplated in the original discussions. The sound principles underlying the plan would apply to one group as well as to others. As the Council stated:

> The character of one's occupation should not force one to rely for basic protection on public assistance rather than insurance.

Inequities result from the fact that about 40 percent of employed persons are not covered under the system. Many workers shift back and forth between covered and uncovered employment. For instance, many workers in the excluded groups have accumulated some credits under the system because of employment in covered occupations, especially during the war, and yet they have not been in the system long enough to become eligible for benefits. Others who have completed only minimum requirements will receive benefits out of proportion to their contributions. It is for this reason that under universal coverage the cost, as a percentage of pay roll, would be less than under the present plan of limited coverage.

There has been very little disagreement with the principle of extending the coverage but the question has been whether a practical method of administration could be devised. Both the Federal Security Agency and the Treasury Department officials now feel that feasible plans have been developed. These plans were described in detail to the Advisory Council and they seemed feasible to us. We, therefore, felt that the plans should now be extended to cover most of these in the uncovered groups.

Senator MILLIKIN. Mr. Folsom, there have been some suggestions, I think in relation to some of the various stamp plans that have been suggested, that we approach that part of the field in a sort of experimental way. Does that meet with any reaction from you? Do you think we can go full scale ahead?

Mr. FOLSOM. There were two plans submitted to us, one a stamp book plan, and the other a simplified reporting system. I think either one of those plans would be practical, and the employers would have a choice as to which one they would take. Now, if there is any difference of opinion as to whether they can launch into this right away, I would say as to certain groups you might bring them in but set the effective date some time ahead. Instead of making it January 1, 1951, you might make it January 1, 1952. But I don't believe it is necessary to experiment, because I think the only way to lick this problem is to attack it and go right into it. And even if you make a few mistakes, it is not vital. I do not think it is so serious if it does not work perfectly at first.

Senator MILLIKIN. Unless you arouse public resentment. Unless, for example, you extended this to farm workers, and you had a system that would so annoy the farm worker and the farm employer that they wanted no further part of it.

Mr. FOLSOM. I don't think you will annoy the worker, because he is going to be getting quite a bit out of it, especially the person who is near the retirement age now.

Senator MILLIKIN. Then you can be almost certain that the farm employer may feel some irritation.

Mr. FOLSOM. Of course, it surprises me that you have not had more pressure from the farm groups to be brought into this system.

Senator MILLIKIN. We have been trying to search that out, here. There is no protest, and there is no approval. And some of the farm organizations have been playing a little cagey and canny about it. They have passed the problem on to executive boards to consider, but they do not come up with anything. They apparently are considering it, but they are not putting out.

Mr. FOLSOM. Of course, one reason is that in the farm States a pretty high percentage of the people qualify for old-age assistance.

Senator MILLIKIN. That is why those farm States generally speaking would like to have the insurance system substituted for old-age assistance. Because the farmer is paying the taxes for the old-age assistance, and so he views the insurance system as giving him some relief on that.

Mr. FOLSOM. I think most of the farm people, though, who have really studied it would be in favor of coverage. Now, we had a very able man on our council, Dean Myers, of Cornell University.

Senator MILLIKIN. Yes.

Mr. FOLSOM. He is dean of the agricultural school there. And I hope he will appear before your committee. He is exceedingly well informed and in close touch with the farmers and the farm problems.

Senator MILLIKIN. The Farmers Union has made its position clear, and I think the Farm Bureau has probably made its position clear, but the Grange has submitted the problem to an executive committee.

Am I not correct in that, Mr. Chairman?

Senator KERR. I think that that is correct; only I think in some States they have already taken their action.

Mr. FOLSOM. The Council recommended not only covering farmers and farm groups, but other groups. As far as this House bill is concerned, it does extend the plan to 11,000,000 out of the 25,000,000 not now covered. But they still leave out quite a few of the self-employed, and it is very restrictive on household workers, and the nonprofit employees are on a voluntary basis. We would also suggest in addition to those groups not covered that you ought to bring in the people who are in these Federal pension plans and the railroad pension plan, bring them all under this same system, and give them all this basic protection; and then change those systems so that the workers would still get the same benefits they are getting now, but part would be from OASI and part from those separate systems.

Senator MILLIKIN. Should we do it even if the beneficiaries of those particular systems do not want to come in?

Mr. FOLSOM. It was exactly the same thing most private pensions had to do in 1936 when the social security plan came into effect. We had to change our basic plan so that part came from the Government and part from the private plan. If you do not do it, the difficulty comes with the people who are in the railroad system or the Federal retirement system only a short time, then leave. They really do not get much out of it. We think that this basic protection of the OASI ought to be extended to everybody gainfully employed.

So our Council recommended that the Social Security Board sit down with the Railroad Retirement people and the Civil Service retirement agencies, and work out some method for doing that.

Senator MILLIKIN. Did you sit down with them?

Mr. FOLSOM. We had them appear before the Council.

Senator MILLIKIN. Were they in favor of it?

Mr. FOLSOM. No; they were not. We do not think they had really studied the plan carefully, though. We think something could be worked out if we would sit down in conference.

Senator MILLIKIN. In Colorado and, I think, in other States, we have teachers' retirement systems and firemen's retirement systems and policemen's retirement systems, and they are violently opposed to coming in. In what degree, where that occurs, should we force a system on any one who is satisfied with his own system?

Mr. FOLSOM. Of course, you could not force it upon the State systems. You will have to do it on a voluntary basis. I think if you actually work out a program, they will not seriously object to it. Right now, I think they are going on emotion rather than facts.

Senator MILLIKIN. If enough people believe in an error, it has the force of fact.

Mr. FOLSOM. Surely. But we of the Council felt that if you sit down and work out a program you might be able to overcome those feelings.

Also, I am a little concerned about the definition of "employee" in H. R. 6000. You know, that has been a very highly controversial question, and I have not gone into it thoroughly, but I think that it is something that will require very careful study before you pass on the House bill.

Senator KERR. Where is that phase of your statement?

Mr. FOLSOM. That is on page 7. That has to do with the Gearhart resolution changing the terms of the employee definition.

Senator KERR. What is your recommendation?

Mr. FOLSOM. I haven't any. It is a very complicated matter, and many employees feel that it would be better not to have that in at all, because if the plan is extended to these other groups the term "employee" would really cover some self-employed. It has to do with these fringe people, where it is not quite clear whether they are employees or working on their own.

Senator KERR. You think, in the main, that those who are self-employed should be compelled? Or should it be voluntary?

Mr. FOLSOM. It is very difficult to bring people in on a voluntary basis; because some will come in and some will not, and the very person who ought to come in won't.

Senator MILLIKIN. The basic theory of this system was to protect employees, was it not?

Mr. FOLSOM. Yes.

Senator MILLIKIN. On the theory that it is somewhat fallacious to say that an individual employee can bargain at arm's length with large employers. And there was a social need for giving the employee this kind of protection. When you get into the field of the self-employed and independent contractors, you are bringing the benefits of the system to a category of people who, if they get in at all, come in under an entirely different philosophy. Is that not correct?

Mr. FOLSOM. Yes. You see, the Council recommended that we extend it to practically all of the self-employed, because we felt there has been a lot of criticism, for instance, of the small-business man, whose employees are protected but who does not have any protection himself. I imagine you have had a lot of letters from business people saying the employer himself would like to be brought in. We would like to bring in all the self-employed—but on a different basis than the employed.

Senator MILLIKIN. Should that be compulsory?

Mr. FOLSOM. I think it should. I don't see how you can work any voluntary plan.

Senator MILLIKIN. A man, I suggest, has to make a fundamental decision. He is either going to take what security he can get out of being an employee, with whatever certainty there is of getting a wage envelope at the end of the week, or he is going to take his chances as

an employer or as an independent contractor, with the benefits that accompany that, when there are any, and take the losses when they occur. The system was originally designed to cover the employee. Now it is suggested that it be extended to cover the fellows who wanted to make bigger gains than the employee makes, if they could, and who theoretically were willing to take the larger losses.

Mr. FOLSOM. What we want is to give as many people as we can this basic protection on an insurance plan rather than on a relief system.

Senator MILLIKIN. Then why not take everybody in? Why not every citizen of the United States, regardless of his particular status?

Mr. FOLSOM. I think you have to tie it up in some way with employment, because you are trying to make up for loss of income which a man may have when he retires. If a person does not have any income to start with, I don't see why then you would suddenly give him something when he reaches a certain age.

Senator MILLIKIN. We went into this in connection with the resolution to which you refer. The Treasury Department adhered to the older conceptions of common law definition of "employee," and Social Security had invented its own definition, and under Social Security's definition they raided the theoretical trust fund by about $20,000,000. We thought if they were not stopped they would raid it for about $100,000,000, and so we decided it ought to be stopped until at least the Congress could pass on the question; and now the Congress has had an opportunity to pass upon it.

Mr. FOLSOM. As I say, if you don't cover the self-employed on a wider scale than the House bill—this definition of "employee" is quite an important matter, but I do not have any definite suggestions to make to you as to how to change the wording of that provision.

As I said before, if the Federal Security Agency feels that more time is required to work out the administrative procedure for covering some of these groups, such as farm workers, the effective date of coverage could be postponed.

My next recommendation has to do with the tax base. The House bill proposes that the tax base be increased from the first $3,000 to the first $3,600 and that the benefit formula be applied accordingly. The Council recommended that the base be increased to $4,200, although a minority favored retention of the present formula.

The feeling of several of us was that the objective of giving basic protection could be provided within the present tax base and that it is not desirable in a social insurance plan to pay substantial benefits to those in the upper salary levels.

Raising the base would not increase the benefits to those below $3,000 but only to those in the upper salary range who are better able to provide their own protection. Those above $3,000, who would retire in the early years, would receive a substantial windfall as they would have contributed very little toward the cost of the increased benefits.

The $3,000 base is uniform throughout the Federal-State unemployment compensation system. It is also used in several State temporary disability benefit laws. Voluntary supplementary pension plans are generally integrated with the present $3,000 wage base of the OASI. A change in the wage base of the insurance plan would create administrative difficulties with all these plans.

The benefit formula: While the present plan provided adequate benefits when the amendments were adopted in 1939, the benefits are now out of line with current wages and cost of living. This situation is caused by the present formula which provides benefits of 40 percent of the first $50 of monthly wage and 10 percent of the next $200. Because of the low credits for earnings over $50, the present formula does not reflect the increase in wages since the war. The average primary benefit to a retired worker has increased from $22.60 in December 1940 to $25.89 in September 1949, or 14 percent. The old-age assistance average monthly payment, in comparison, has more than doubled from $20.26 in 1940 to $44.16 in September 1949. Thus, while old-age assistance payments have increased more than the cost of living, there has been comparatively little change in benefits under the old-age insurance plan.

The present benefits are unrealistic and in many cases persons who are receiving benefits must also obtain old-age assistance. To provide more adequate benefits, the Council recommended that the formula be changed so that the benefit would be 50 percent of the first $75 of an individual's average monthly wage, plus 15 percent of the next $275, but with no increment for length of service. H. R. 6000 provides a formula of 50 percent of the first $100 of monthly wage, plus 10 percent of the next $200, with an annual increment of one-half of 1 percent. The Council felt that the formula it proposed would provide adequate benefits to present and future beneficiaries and it was unwise and unnecessary to commit the system to automatic increase in the future.

Senator MILLIKIN. Was that a unanimous decision, Mr. Folsom?

Mr. FOLSOM. Yes.

Senator KERR. Just a minute, now. Your recommendation is 50 percent of the first $75 and 15 percent of the next $275?

Mr. FOLSOM. You see, they brought it up to $4,200 in their plan.

Senator KERR. That is the reason I did not think your recommendation was unanimous.

Mr. FOLSOM. No, it wasn't, there. But I thought the Senator referred to the increment factor.

Senator KERR. In other words, those who did not agree to the increasing of the base did agree to 50 percent of the first $75 and 15 percent of the amount above that?

Mr. FOLSOM. Yes. And we agreed that they should have the benefits now on a right basis and not provide for an increment for each year.

The proposed formula would result in a substantial increase in benefits with the greatest percentage of increase for those in the lower income groups. With only a benefit of 10 percent of wages above $100 a month, however, it does not provide as great a differential between the higher and lower earnings as the Advisory Council's recommendations. Such a low differential might lead to criticism by workers above the lowest wage groups. In other words, there is so little difference under this formula between the $100-a-month man and the $300-a-month man that I feel there would be quite a little criticism of it.

Senator MILLIKIN. Mr. Folsom, would you let me read into the record the membership of the Advisory Council?

Mr. FOLSOM. Surely.

Senator MILLIKIN. I think it would be well to get that into the record. I do not believe it has been read into the record before:

Edward R. Stettinius, Jr., rector, University of Virginia, chairman.
Sumner H. Slichter, Lamont University professor, Harvard University, associate chairman.
Frank Bane, executive director, Council of State Governments.
J. Douglas Brown, dean of the faculty, Princeton University.
Malcolm Bryan, vice chairman of board, Trust Co. of Georgia.
Nelson H. Cruikshank, director of social-insurance activities, American Federation of Labor.
Mary H. Donlon, chairman, New York State Workmen's Compensation Board.
Adrien J. Falk, president, S. & W. Fine Foods, Inc.
Marion B. Folsom, treasurer, Eastman Kodak Co.
M. Albert Linton, president, Provident Mutual Life Insurance Co.
John Miller, assistant director, National Planning Association.
William I. Myers, dean, New York State College of Agriculture.
Emil Rieve, president, Textile Workers' Union and vice president, Congress of of Industrial Organizations.
Florence R. Sabin, scientist.
S. Abbot Smith, president, Thomas Strahan Co.
Delos Walker, vice president, R. H. Macy & Co.
Ernest C. Young, dean of the graduate school, Purdue University.

As you go along and mention the Advisory Council, if there was a difference of opinion, will you tell us, so that we can assume there was no difference if you do not say so?

Mr. FOLSOM. The only difference, in respect to the insurance plan, had to do with this tax base, and the employees of nonprofit organizations. Two of the members felt these employees ought to be brought in on a voluntary basis. That is the way the House bill provides.

The rest of us felt it should be a compulsory system.

As a compromise formula between the House bill and the recommendations of the Advisory Council, I would suggest that consideration be given to providing 50 percent of the first $100 of monthly wages as in H. R. 6000, and 15 percent of the next $150, with no increment factor.

The following table shows the benefits at different wage levels for the present plan, H. R. 6000, and the above proposal, assuming the person has been covered for 12 years.

Senator MILLIKIN. Mr. Folsom, what is the theory of the increment factor?

Mr. FOLSOM. Well, the theory is that a person who has contributed for a long period ought to get more than the person who has contributed for a short period. In the original plan, many of us felt we should put this Government scheme on more or less the same basis as a private scheme: that a person who has contributed more ought to get more almost directly in proportion to his contribution. So the fellow who has contributed twice as much ought to get almost twice as much benefit. But we gradually changed our views, and in the Council of 1939 we felt we had to use more of the social insurance approach and not so much that of a private plan. Even in a private plan consideration is always given at the start to the fact that you have not had the plan in effect in the past. And you provide benefits out of relation to what a person contributes, to those close to retirement. That is so even in a private plan.

And we know that the person in the lower wage group needs a higher percentage of his income to retire on than the person in the upper wage group. That is why we have this very heavily weighted

in favor of the lower income groups, the 50 percent. And the objection I have to the House bill, as I said before, is that this 10 percent above the $100 does not adequately reflect the increased earnings; and to keep those people satisfied you ought to give them more than that.

As far as the increment was concerned, the Council felt that it would be better to provide adequate benefits now, and not keep on increasing them; because if you provide adequate benefits now and provide for an increase of one-half of 1 percent or 1 percent per year on top of that, you are building up pretty heavy costs in the future. Now, if later on, we find that the benefits under this formula are not adequate, you can change them again just like you are doing now.

The increment factor is also based on the theory that prices and wages are going to keep on increasing, and therefore you ought to allow for that. Well, that is not a safe assumption. We don't know whether they will or not. And if they do keep on increasing, you can change the benefit at that time. We thought it was rather hazardous to put that automatic increase into the formula right now.

This table shows the single man at $150, $200, $250, and $300, and it shows the present plan, H. R. 6000, and the 15 percent plan:

	Average monthly wage	Present plan	H. R. 6000	Proposed plan
Single man	$150	$34.00	$58.00	$57.50
	200	39.00	64.00	65.00
	250	45.00	69.00	72.50
	300	45.00	74.00	72.50
Married man with wife over 65	150	51.00	87.00	86.25
	200	58.50	96.00	97.50
	250	67.50	103.50	108.75
	300	67.50	111.00	108.75

Under H. R. 6000 the benefits would increase one-half percent for each year of coverage but would remain in the same under the proposed plan.

You will notice that H. R. 6000 has a substantial increase over the present plan all the way along the line. The only difference between the plan I propose and H. R. 6000 is that the people around $200 and $250 are getting a little bit more. The $300 man gets just about the same, although in my case he would be taxed only for $3,000, and in the House bill it would be $3,600.

You will see that the married man with wife over 65, with average monthly wage of $250, gets under the present plan $67.50, and in H. R. 6000 he gets $103.50. So he is above that $100 that we have been hearing so much about.

In this plan which I propose he would get slightly more than that, $108.75.

Of course, if you think that the 15 percent does not give an adequate differential for the people in the higher groups, you could make it 20 percent over the first $100 instead of 15 percent; but I would think 15 percent is adequate, and I notice Mr. Altmeyer the other day suggested 15 percent also.

Now, either one of these proposals would provide realistic benefits in line with current living costs and would seem to be high enough to prevent dependency, and thus adequate for a Government plan.

As far as eligibility is concerned, under the provisions of H. R. 6000, the large number of older workers newly covered under the bill would have to contribute for at least 5 years before they would qualify for old-age benefits, and many would not work that long. Thus, many of those now aged 60 or over would still have to depend on old-age assistance.

The Advisory Council recommended more liberal eligibility rules. It suggested that for the newly covered we use the same formula which was used when the system originally began operation. In effect, this would mean that all workers who will have attained age 62 before the middle of, say, 1951, would be insured with a minimum of six quarters of coverage. While these workers and their employers would have contributed little toward the cost of their pensions, it is no fault of theirs that they were not previously covered, and if not eligible for insurance benefits, many of them would probably receive assistance grants.

As I said before, it is customary in private pension plans to provide benefits for the workers close to retirement age, even though they have contributed very little toward the cost.

I would therefore recommend more liberal eligibility rules for those now close to the retirement age. I think Mr. Altmeyer made a similar recommendation.

It might seem that you are giving people quite a lot for their money, but I think it is a feasible plan; and we want to bring in as many as we can into the old-age insurance plan immediately. I think it would be better in the long run.

As to the retirement clause, the Advisory Council felt that the present retirement test, under which a person earns $15 or more a month is ineligible for retirement benefits is too severe. With a broadened coverage, this restriction would become much more serious because there would be less opportunity for work in noncovered employment. In my opinion the change recommended by the Advisory Council is better than that provided in H. R. 6000. The bill provides that a person would become ineligible if he makes over $50. This would result in loss of the entire benefit if the earnings even slightly exceed $50. The Council recommended that his benefits be reduced, not eliminated but reduced, by the amount received in covered employment in excess of $35 a month; the same provision could be made if this allowance were increased to $50.

I understand that the Security Agency felt that that would complicate the administration, but we thought it could be worked out. In other words, if a man is making $49, and he has a chance to make $3 or $4 more, under this provision he would lose all his benefits. So we do not want to take away the incentive for him to make additional money. Under our plan his benefit would simply be reduced by any excess earnings.

Senator MILLIKIN. I come back to my earlier question: Why should not those who have contributed to the system and have reached the pay-off point, the pay-off age, get what they paid for, regardless of what they continue to make?

Mr. FOLSOM. Well, this is supposed to be a retirement plan. You are supposed to make up for loss of income after a fellow has stopped working. Now, if you had a provision in which a man would automatically receive a benefit at age 65, and he continues on his work,

then you are going to give him a premium on that. When he is 65, he is suddenly going to get an increase in his income. That would lead to all sorts of difficulties in industry.

Senator MILLIKIN. There was a time in industry when you wanted to get elderly people out of the working force. We wanted to get them out at that time so that younger people could get in. Now, with all this increased longevity that we are having now and will have in greater degree, is not our problem just the reverse, to keep them working as long as they want to work and can work?

Mr. FOLSOM. Yes, I agree that we ought to do everything we can to keep the older worker. But I do not think when a man reaches 65 his income should suddenly be increased.

Senator MILLIKIN. But theoretically he has paid for his insurance part. Why should he not have it? Why should he not be permitted to make as much as he can?

Mr. FOLSOM. It would lead to a lot of difficulties. If we had a system like that, where a man, say, over 65 was getting 30 or 40 percent more than one under 65, you might find that that would result in reducing the wages of those over 65, so that their total income would remain the same; and then you might have a tendency of people to hire just those workers. It would cause a lot of complications. You would have people doing the same job and getting different incomes.

Senator MILLIKIN. The case is even stronger when you figure that he has theoretically paid for his insurance.

Mr. FOLSOM. You would extend the retirement age, then, if what you say is true. More and more people will be working after the age of 65, and you can then change the retirement age to 68 or 67.

Senator MILLIKIN. I am just trying to explore this thing. On first blush I do not see why a man should not get what he has paid for and why he should not get as much additional as he can earn.

Mr. FOLSOM. Of course, what he is paying for, here, is for some income to offset the loss of income he will have when he retires. This is a retirement plan. Under this system he is not paying for certain income after 65 whether he has retired or not. He is helping pay for the cost of a system which will replace some of the earnings he will lose when he retires. If he has not lost his earnings, he is not entitled to benefit.

Senator MILLIKIN. I agree that the system is now cast in such a way that it assumes retirement at 65. I agree as to that. But why should the system be that way? Why do we not face up to it and make the costs of the benefits such as to contemplate that a man will continue to work if he is able to work and feels like working after he is 65, and at the same time give him what he is paying for?

Mr. FOLSOM. Well, it would change the cost and change the concept of the whole system. It could be done, but I don't think it would be as good a system as this one.

Senator MILLIKIN. I would like to suggest, Mr. Folsom, that with all of this increasing number of people who will be around and more or less active after they are 65, the time has come when maybe we will have to change our concept. And while you are on the stand, you are the first representative of a large employer company that we have had here, and I would like to ask you what the Eastman Co. is doing in

the way of studies or in the way of practice to give the older fellows a chance to stay on the pay roll.

Mr. FOLSOM. Well, we have had a pension plan in our company for over 20 years, quite a little time before the Social Security Act was passed, and we do not have a compulsory retirement age. We have a normal retirement age of 65. In the past we have had a normal retirement age of 60 for women, but now we have more or less agreed on 65 for women, too.

Senator KERR. Are your retirement benefits payable at 65? Or upon retirement?

Mr. FOLSOM. Upon retirement. We do not have compulsory retirement at 65. We have quite a few people working beyond 65, although we consider 65 the normal retirement age.

Senator KERR. I understand that even the Senate of the United States has a retirement program; but which does not mature nor become payable until after retirement.

Senator MILLIKIN. And you cannot get anyone to retire.

Senator KERR. And as long as they do not, as I understand it, they do not get the benefits of the retirement program. Do you suppose we ought to look into that, Senator?

Senator MILLIKIN. No; I think it is a pretty good system. They get their wages as they continue to work.

Senator KERR. That is the plan he is suggesting, there.

Senator MILLIKIN. I may say that perhaps we do not pay as much as we should, either, for that retirement benefit.

Senator KERR. I am sure he has those in his employ who would agree that a similar situation exists there.

Mr. FOLSOM. And many of the people with us would rather stay on and work rather than retire.

Senator MILLIKIN. And if we pay enough, answering your question, and to provide a little consistency, if we pay retirement benefits, I am in favor of getting it when I reach that age—if we pay enough for it.

Senator KERR. But you would have to change the law to conform to either of the suggestions you make there.

Senator MILLIKIN. You would have to change the law. We had to change the law when we put it in. And perhaps it was a nice piece of sugaring in order to get some votes for other purposes in the same law.

Senator KERR. Well, I was not here, and I did not know that that was the way you got that done, Senator.

Senator MILLIKIN. Oh, perhaps I cast an unfair implication as far as my colleagues are concerned.

Senator KERR. I cannot tell whether it is an admission or an accusation.

Senator MILLIKIN. Well, I want it to be indefinite like that.

Mr. FOLSOM. As far as our own plan is concerned, we do make every effort we can to keep the older person at work, finding new jobs, and so on, for him. Of course, the greatest difficulty is really for the people who are beginning to slip before they reach retirement age, to find jobs for those.

Senator MILLIKIN. What percentage of your pay roll is 65 or over, in terms of numbers of workers?

Mr. FOLSOM. I do not have the figures, sir. It is a comparatively small number, though. Because quite a number of people have retired, of course, under our retirement plan. However, they don't retire just at 65. Some of them work a year or two longer, some of them 3 or 4 years longer, and some of them 10 years longer, depending upon the situation in the individual case.

Senator MYERS. And they never receive their retirement benefits, I assume, regardless of the income they may receive, until after they retire?

Mr. FOLSOM. Not until after they retire, of course. We do not start paying the benefits at 65 unless the worker retires.

Senator MILLIKIN, How many hours a day do your workers work?

Mr. FOLSOM. We are on an 8-hour day and 40-hour week.

Senator MILLIKIN. Have you made any arrangement whereby a person whose energies are only up to 20 hours a week can work 20 hours?

Mr. FOLSOM. We do not have many on part time, but we shift quite a few workers to jobs we think they can do, where there is less physical exertion. We do that.

Senator MILLIKIN. If a man works for you, he works 40 hours? If he does not feel able to work 40 hours, or if you do not feel that he is doing a good 40 hours of work, he is out, either voluntarily or by giving him the red ticket?

Mr. FOLSOM. Of course, as to those people, they would be entitled to their pensions. And we do have some people on part time, but it is a comparatively small number.

Senator MILLIKIN. You have no organized plan to give the elderly workers a chance to work for periods equal to their energies?

Mr. FOLSOM. Yes; we are studying it all the time and trying to find jobs which the older person can do.

Senator MILLIKIN. For 40 hours a week? I am talking about 20 now.

Mr. FOLSOM. We do not have a systematic program on that.

Senator MILLIKIN. Are you giving that study?

Mr. FOLSOM. We are giving all of these questions about the older worker very careful study.

Senator MILLIKIN. I picked up a London magazine which contained some material that is very interesting. I am going to put it in the record one of these days. A factory over there set up a little special factory for elderly workers who could work a couple of hours a day if they felt up to it and wanted to work, or as many hours as they wanted to, and they get paid on what is apparently a fair basis. In other words, that has a tendency to augment the income of the worker. It has a tendency to keep up his morale. It has a tendency to increase productivity of the Nation. It seems to me that those are three important factors. And most respectfully I suggest that large employers like the Eastman Kodak Co. should be busying themselves trying to figure on that. Because if we increase the nonproductive first stage of our life by lengthening the period of education—and we are doing it—it used to be grade school, and now it is high school, and it is going to be college one of these days—and if we shorten our retirement age, that places too much of a burden, I respectfully suggest, on the in-betweeners, who have to carry the cost of the whole thing.

Mr. FOLSOM. Of course, I agree with you. I think so few people realize that in order to pay these unemployment benefits and old-age benefits and sickness benefits and everything else, the people who are working have got to produce more. And you are cutting down the age at which they are producing, too, which means that we have to make a big increase in productivity if we are going to maintain our standard of living.

Senator MILLIKIN. That is another way of saying not to take productive people off the pay rolls.

Senator MYERS. Do you have any age limitation policy as to the employment of new workers?

Mr. FOLSOM. No, sir; we do not.

Senator MYERS. Because it occurs to me that that is where we have great difficulty in this country: that many, many firms refuse to employ those who have reached the age of 40 or 45.

Mr. FOLSOM. On the other hand, you will find that the turn-over, the people leaving, among that group, is much less than among the young people. There are not nearly as many people, proportionately, over 40 that leave their jobs, as the younger people.

Senator MYERS. It has come to my attention that when there is curtailment of production in a plant many people over 40 have much greater difficulty securing employment than those under 40. And although there is a problem, which the Senator has mentioned, as to the retirement of those who have reached 60 or 65, I think there is a much greater problem with regard to those who have been involuntarily retired under the age of 50 or over the age of 50 and they attempt to seek new employment.

Mr. FOLSOM. We have had a commission up in New York State studying that whole problem very, very carefully and making recommendations as to what can be done.

Senator MYERS. What has come to your attention as a result of that study? Do you find that men in that age bracket of 40 or 45 are having difficulty obtaining employment today?

Mr. FOLSOM. Well, I would not say it is serious today; no. In the first place, there are not as many losing employment as you think, because the employer wants to hold on to such men. The man has been with them for some time and is a valuable worker and an experienced one and much more valuable than the younger fellow. I think you will find it is a comparatively small number.

But it is true that for those who are out of work there is more difficulty in finding jobs than among the younger men.

Senator MILLIKIN. I get much mail posing that very predicament. They have been junked by their employer, and they are 10 to 15 years from retirement either under their public assistance or under insurance. And it poses a terrific problem.

Senator MYERS. We have many military installations in my State, and under this curtailment program of Secretary Johnson's there have been thousands of men who have lost their employment involuntarily. And I understand they are having great difficulty.

Mr. FOLSOM. I think private industry is doing and should do quite a lot of work on it.

Senator MILLIKIN. What is the name of that committee?

Mr. FOLSOM. The Desmond committee. I will send you a copy of their report if you would like to have it.

Senator MILLIKIN. It is called the Desmond committee?

Mr. FOLSOM. It is a committee established by the New York Legislature.

Senator MILLIKIN. Do you know of any large manufacturers who are making special studies or plans on the subject we have been discussing?

Mr. FOLSOM. Yes, I could give you a list of some of them.

Senator MILLIKIN. I would like very much to have it.

Mr. FOLSOM. I will give you some information on that. I think most large companies are seriously studying the problem, and some of them have definite plans.

There is one other suggestion that the Council recommended, in line with your thinking, that is: that we have no work test for the insured workers age 70 or over. This would be particularly desirable if you are going to include self-employed in the system. The House bill provides no work test after age 75. We don't see why it wouldn't be all right at age 70; and then say you would get benefits regardless of work, on the theory that most people probably will be out of regular employment by age 70 anyhow.

When it comes to the question of financing, this is a complicated part of this whole system, as you know, and there is so much difference of opinion on it. The House bill provides that the tax rate be increased from 1½ percent to each on employee and employer, which rate became effective January 1, 1950, to 2 percent each on January 1, 1951. The bill also has a schedule providing further periodic increases until the rate of 3¼ percent on each is reached in 1970. The Ways and Means Committee contemplated that under this schedule the plan would be practically self-supporting; that is, receipts from pay-roll taxes plus the interest on the reserve fund would be sufficient to finance the plan so that there would be no need to draw on general revenues now or at any time in the future. Under this program the reserve fund would reach about $75,000,000,000 if the intermediate (average between high and low) estimates of the actuaries are used.

The members of the Advisory Council were agreed that it would be well to have the contribution rates increased to 1½ percent each at the time the benefits were liberalized. If the benefits are increased soon this increase in tax rate on January 1, 1950, would be considered as in line with the Council's recommendations.

Senator KERR. They have already been increased to 1½ percent, have they not?

Mr. FOLSOM. Yes. I mean, if the benefits were increased, then this increase would be in line. So the next increase in contribution rate, to 2 percent on the employee and 2 percent on the employer, the Council felt, should be postponed until the collections plus interest on the invested funds are insufficient to meet the current benefit payments and administrative costs.

Financing an over-all Government plan is different from financing a private plan. A private plan should be financed so that the liability when due could be paid from funds in hand; otherwise the employees would not be protected—provision has to be made both for the liability accrued at the time the plan is put into operation and for future liability. On the other hand, the Government does not have to set up a reserve fund to meet the accrued liability, and with its

taxing power it does not necessarily have to have the funds in hand to meet the liability when due.

Under the contributory insurance plan the collections by the Government during the early years were bound to exceed pension payments because comparatively few draw benefits during the early years. It would not be feasible to start out a Government plan on a strictly pay-as-you-go basis because of the low contribution rate which would be required—a rate as low as, say, one-tenth of 1 percent and with a change in the rate each year. Such a low rate would also give the impression that benefits could be greatly increased without much cost, with the resulting high future costs.

Senator MILLIKIN. Mr. Folsom, 20 or 25 years from now, when people who go into the system and the higher payments must be paid, would they not have a just complaint that the payments should have been higher at the beginning than they are now?

Mr. FOLSOM. You see, the whole trouble about this is that when we started into this system we took on a liability for all the service that the people had rendered up to that time. Under a private plan we would have to put the money aside to take care of that liability. Under a Government plan, that is not necessary. Now, the big question is: Who should pay for the cost of all that service prior to the time the plan went into effect, when nobody had paid anything for it before. The theory of the Advisory Council is—but before I get to that, there are three methods of handling the financing. One is a strictly pay-as-you-go basis, starting very low and going on up. We were against that from the very beginning, because we felt, as I have said, that the contributions rate would have to be so low to begin with that you would give people the impression that they could increase the benefits considerably without any increase in cost; and that would lead to a lot of trouble in the future. Also, on the strictly pay-as-you-go bais, you would lead to very high contribution rates in the future.

Now, the second method is that which the House Ways and Means Committee now seems to contemplate; to put the plan on a full reserve basis, so that you will never have to draw anything out of general revenues to finance it.

Senator KERR. Never have to what?

Mr. FOLSOM. Never have to draw anything out of general revenues to finance it; but you will build up a large reserve fund. The collections and the interest from the reserve funds would be sufficient to finance it.

Now, the Advisory Council felt there was some way in between these two. The objection to the full reserve scheme is that you have got to be collecting a lot more money during the first few years than you are paying out, while you are building up this big reserve fund. And there would be a tendency, while that is being done, to increase the benefits. Because the people say, "What is the use of bringing all this excess money in, and why don't we pay it out in increased benefits?" And if the benefits get too high, you are leading into trouble in the future.

Also, I feel that if you are bringing in a lot more money than you are paying out, and you have this big reserve fund, indirectly it is going to have an effect on appropriations for other purposes. In other

words, you are going to be a little easier on spending money than you would be if you did not have this money to play with.

So what the Council suggested was that we have a plan inbetween, what we call a modified pay-as-you-go basis; so that we would keep this 1½ percent rate in effect, until about 1955 or 1956 or 1957, along about that time, when with these increased benefits the payments will just about equal the collections. Then go up to the 2 percent tax rate, on each employer and employee, and keep it at that level until the benefits again approach collections. And at that time, assuming you have got everybody covered in the system, you could decide whether you want to increase the pay roll tax or finance it in some other way.

Senator MILLIKIN. Then there is a period where it is pay as you go?

Mr. FOLSOM. We want to get it on a pay-as-you-go basis, but we do not think it is feasible to get that until 6 or 8 years from now. In the meantime, the fund would keep increasing and would reach about $25,000,000,000 in the early sixties. The fund would be maintained at that level, with pay roll taxes sufficient to pay the benefits.

Senator MILLIKIN. What is the function of the fund?

Mr. FOLSOM. From that time it would serve as a stabilizing factor, as when collections might go down or payments might go up because of unemployment—in other words, to take care of any fluctuations.

Senator MILLIKIN. How would that be done, mechanically?

Mr. FOLSOM. You would have the income from this fund to add to collections at that time.

Senator MILLIKIN. The interest on the bonds?

Mr. FOLSOM. The interest on the bonds.

Senator MILLIKIN. That pays the interest on the bonds?

Mr. FOLSOM. And that would be used to supplement current collections.

Senator MILLIKIN. If you are on deficit financing, you issue new bonds to pay the interest on the bonds; is that right? And under the present system, the funds which come in are spent for general purposes, are they not?

Mr. FOLSOM. Yes, sir. But on the other hand, if you did not have this fund, if the securities were not invested in this fund, the Treasury would have had to have sold just that many more bonds to the general public. So the interest factor is the same.

Senator MILLIKIN. Wait, now. State that again, please.

Mr. FOLSOM. I say, during these years this $12,000,000,000 fund, had not been built up, and the Treasury had not sold these bonds to the trustees of that fund, they would have had to have sold just that many more bonds to the general public.

Senator KERR. Just that number of bonds.

Mr. FOLSOM. The same amount.

Senator MILLIKIN. Just that number of bonds, yes. But when you are in the present state of the system, you have a great surplus of contribution over benefit payments, which, as I said before, is spent for general revenue purposes. And to that extent you cover that by bonds, and the taxpayer has to pay it ultimately. And as you increase your coverage under the system, the taxpayer and the contributor tend to lose their identity. They tend to merge. And so the contributor has to pay twice.

Mr. FOLSOM. No. I don't quite agree with that. Because in the first place we have collected about 12 billion dollars more than we have paid out in this system. Now, what will you do with that $12,000,000,000?

Senator MILLIKIN. We have spent it. All right.

Mr. FOLSOM. But you have invested it in Government bonds. That is the only thing you could have done. You wouldn't have kept it in a cash drawer by itself, and you couldn't have invested it in private securities, because then they would say you were trying to control industry, and so on. Now, if you hadn't had this money to invest in these securities, the Treasury would have had to have sold $12,000,000,000 more bonds to the public. So the contributors in the future won't be paying twice for it.

Senator MILLIKIN. Well, now, hold on. Let us take this situation just as it is right now.

If we were on a pay-as-you-go basis, you would have no reserve fund. There would be no question about paying twice.

Mr. FOLSOM. But the Treasury would have had to have sold $12,000,000,000 more to the general public.

Senator MILLIKIN. No, because it would have gotten in just as much money as it would have needed to pay for this insurance purpose. So it would not have been paying for any bonds at all.

Senator KERR. If you had been on a pay-as-you-go basis, you would not have levied the $12,000,000,000 in taxes, would you?

Mr. FOLSOM. I am assuming that the money the Treasury has spent during the period had to be spent for the war and other purposes, and therefore they would have had to have had $12,000,000,000 more to spend. They would have had to get it from some source.

Senator MILLIKIN. But when you contribute to an insurance system, I suggest that your contribution should be for the protection of the insurance system and not for all sorts of general purposes. In a private insurance company, when they take in your premium money, they use that for the insurance system. They do not take that money and go to spending it for all sorts of other purposes, even though they be good purposes.

Mr. FOLSOM. But most of the money which insurance companies collected in excess during this same period was also invested in Government bonds.

Senator MILLIKIN. Yes.

Mr. FOLSOM. Exactly the same as these funds are.

Senator MILLIKIN. Yes; but the insurance company can get the proceeds on those bonds without levying another assessment on the stockholders or without raising the premium rates.

Mr. FOLSOM. I would agree with you if we had actually spent $12,000,000,000 more during the period because of the presence of this reserve fund. That is why I do not want a big reserve fund accumulating in the future. I think there might be a tendency to spend more money for other purposes. But I do not think it has been true during this war period. I think those expenditures would have had to be made whether you had this reserve fund or not.

Senator MILLIKIN. I think the point you are overlooking there, Mr. Folsom, is that the money that has been contributed for insurance purposes has been spent for general purposes. And that, I suggest,

is not a sound insurance system. Because it requires some one, the contributor in his role as taxpayer, to pay it again.

Mr. FOLSOM. That is why it is so difficult, here, to explain; because the money had to be invested in Government bonds. I do not see anything else you could have done with it.

Senator KERR. Well, insofar as the agency was concerned, it did not spend its money for Government expenses, did it? It did not spend its money for Government bonds.

Mr. FOLSOM. The same as an insurance company.

Senator KERR. Now, as I understand it, if the Government needs $40,000,000,000 in a year's time, and the taxpayers pay $30,000,000,000, and the Government sells $10,000,000,000 worth of bonds to get the other ten, the taxpayers have not yet paid that $10,000,000,000, have they?

Mr. FOLSOM. No; they are going to pay it in the future.

Senator KERR. So that if at some future time the taxpayers pay the $10,000,000,000 in order to get the money to pay off the bonds, they have not paid the money twice, because they did not pay it in the first place. The Government got that money by selling bonds, not from tax revenues.

Senator MILLIKIN. But under this system as it now stands, the contributor pays his money, and theoretically the excess over what is required to meet current expenditures is for the protection of the insurance which he is buying. Correct?

Senator KERR. It is a reserve against the insurance.

Senator MILLIKIN. Yes. That is right. All right. Now, he has paid that. A private insurance company would get assets for that money.

Senator KERR. Would they get any better asset than Government bonds?

Senator MILLIKIN. I cannot say that they would, but they would have an asset, because they would be getting the money when they cashed the bonds in.

Senator KERR. Cannot the agency do the same thing?

Senator MILLIKIN. Now we come to the exact point of distinction. The trust fund has an asset which it can collect from the Government. But what does the Government do? The Government has to sell other bonds, or tax the taxpayer increased taxes, to pay. And the contributor, as taxpayer, has to pay twice.

Mr. FOLSOM. Well, as far as this practical situation is concerned, now, we cannot go back to the strictly pay as you go, because the tax is now, 1½ percent each, and you are going to be collecting more money in the next few years that will be paid out. Now, what the Council recommended is that you soon get on a pay-as-you-go basis, which would be, say, some time about 1957 or 1958.

Senator MILLIKIN. And that is in recognition of the very difficulties we are talking about, is it not?

Mr. FOLSOM. Yes. And also I think there is a danger. What you say is true if this money would be used for other purposes, just because of the presence of the fund. I think there is a danger.

Senator MILLIKIN. All right. We would keep this situation in balance if we required that the contributions would be used for the reduction of the national debt. Now, that is the only way you could keep from paying twice, is it not?

Mr. FOLSOM. Of course, it would have to be used for that purpose if you had a balanced budget. If the budget were balanced the excess collections would be used to retire the debt. As long as you have a deficit, of course, it doesn't work. And I think from now on there is a danger that these excess collections might encourage deficit financing. In other words, right this year it is going to be easier for the Treasury to get by, because they won't have to sell over two and a half billion dollars of bonds which they otherwise would have to have sold if they didn't have all these trust-fund collections.

Senator MILLIKIN. Is it not true, then, I ask you again, that to the extent that we reduce our indebtedness by these collections that we take in, in this method, we are keeping our books in balance, and we are avoiding the double payment of the same thing?

Mr. FOLSOM. Well, I wouldn't admit we had double taxation involved, unless the money was spent for purposes which it otherwise would not have been spent. In that case I think it would be double.

Senator MILLIKIN. But there is no way to tell that, Mr. Folsom. If you got $2,000,000,000 a year to spend, how can you probe the minds of those who are doing the spending to say whether they would or would not have spent an equivalent amount had they not had this ready source of money?

Mr. FOLSOM. I say that is the danger of it.

Senator MILLIKIN. Of course it is the danger.

Mr. FOLSOM. I don't think it has been so true during the war years, because then you had another situation, where the money had to be spent for war purposes. Now I think there is a danger. I agree with you on that.

Senator KERR. All right, Mr. Folsom.

Mr. FOLSOM. I think that covers the financing part. But I think it is very important that this decision be made, because if you let the House bill provisions take effect there will be another increase in taxes at the first of January next year. And we certainly do not think it is necessary. We say: Postpone that increase for 4 or 5 years anyhow. We went 10 years without increasing the tax from 1 to 1½, and there wouldn't be much use in increasing it again within a year's time.

Under total and permanent disability benefits: The bill also provides for the payment of benefits for total and permanent disability to extend during the disability. There are hardship cases caused by long-term disability. The payment of benefits for such disability is extremely difficult to administer, however, because of the difficulty of determination, and the cost cannot be forecast with any degree of accuracy. As a result of these difficulties, private insurance companies abandoned such insurance some years ago. For these reasons there is doubt of the feasibility of attempting to cover this risk by social insurance. In view of the additional administrative burdens which the Social Security Agency will assume with the proposed extension of coverage, it would seem prudent to postpone action on total and permanent disability.

If action is to be taken, however, I would recommend that the total and permanent disability benefits be added to the insurance program, that eligibility be restricted to those between 55 and 65 years of age, and that objective tests be applied to determine the disability, as recommended by the Advisory Council.

Senator MYERS. Was that a unanimous recommendation, Mr. Folsom?

Mr. FOLSOM. No; there was quite a difference of opinion on total and permanent disability in the Council. Some of us felt that because of the difficulties that some of the private companies had had it would not be well to get into it at this time. Others felt it should be covered. But we all agreed that if we were going to have it we ought to have very strict tests applied.

Senator MYERS. What was the view of the majority of the Council?

Mr. FOLSOM. The majority of the Council felt there should be total and permanent disability protection under the insurance program. And this restriction to those between 55 and 65 years of age is the one which I suggest. Those are the serious cases. And you wouldn't get into nearly as much difficulty as if you tried to cover everybody.

Senator MYERS. You say those are the most serious cases?

Mr. FOLSOM. Well, I would say they are much more prevalent, between 55 and 65.

Senator MYERS. I would think the more serious would be those in the younger bracket, who have growing children.

Mr. FOLSOM. Yes; I think you are right there, of course.

Senator KERR. I think his description of them as "more serious" was based upon the fact that he believed they would be more numerous.

Mr. FOLSOM. Yes; that is what I mean.

I would like to comment briefly on this question of private pension plans.

Senator MILLIKIN. Theoretically, if you give this to any age groups, why not give it to all age groups?

Mr. FOLSOM. Well, what do you mean there?

Senator MYERS. The need would be greater, though, among certain groups.

Senator MILLIKIN. If a man has a need at 35, why limit it to 65?

Mr. FOLSOM. Mainly because of the serious administrative difficulties involved. And they are serious, too. We think the provisions applied in the House bill are not so strong as those suggested by the Advisory Council. As to the Advisory Council, though the majority of them thought we ought to have it, they thought we ought to be very careful, because you can pile up a tremendous cost in the future on this. And there is no way of estimating what the cost is going to be.

Senator MILLIKIN. If that cost is not shared in by the Federal Government and/or the contributors, the system would have to be borne by the States, would it not?

Mr. FOLSOM. Yes; except that they might be a little stricter in the determinations. In other words, it might be a little easier for people to get on it and not be taken off if covered under the insurance plan.

Senator MILLIKIN. You just cannot throw up your hands and say, "Brother, you are totally disabled. But it is too bad. You are not 55 years old." I mean, if there is a bona fide need there, it has to be taken care of some place. I have no suggestions as to where it should be taken care of, but it should be taken care of some place, and if it cannot be helped by Federal contribution the burden is going to be on the States and those communities.

Mr. FOLSOM. Well, the big argument for the restriction to those between 55 and 65 is, as the Senator said, that there are more numer-

ous cases after 55. This would give you a chance to get into the system and work out some scheme of handling it. If it works out all right, then you can gradually extend it to lower age groups later on. This is the first step that I am talking about. This would not be the final answer.

Senator MILLIKIN. What are these administrative difficulties?

Mr. FOLSOM. Well, to find out whether a person is really totally and permanently disabled.

Senator MILLIKIN. It is a great field for malingering and phony claims, is it not?

Mr. FOLSOM. Yes. That is what the insurance companies found out as to the private claims.

Senator MYERS. If the cases are more numerous in the age groups which you have mentioned, I would think you would have more administrative difficulties there.

Mr. FOLSOM. But there the fellow is approaching retirement age anyhow, and you have a short period in which to make payments, 5, 6, or 7 years. So you are not building up the same costs as if you were putting a man on at age 30 and paying him all the rest of his life.

Senator MYERS. You would undoubtedly have malingerers, but I would think in the case of real total and complete disability it is much more important that we give some aid, help, and assistance to those in the lower age brackets, because they have a real dependency problem.

Mr. FOLSOM. Of course, there is no question about having to give assistance to them. But some of these risks you cannot very well cover by social insurance. And I am saying some of those just have to be taken care of on the regular charity and assistance basis, rather than on the insurance basis.

Senator MILLIKIN. I suggest, Mr. Folsom, that you can start out with a very rigorous Spartan-like series of tests to determine the thing, but that under political pressures there is a tendency to relax tests of that kind.

Mr. FOLSOM. That is the difficulty.

Senator MILLIKIN. This committee has it in connection with the problems of the veteran. You get into the field of presumptions. And when you get into the field of presumptions, you have opened a pretty wide door.

Mr. FOLSOM. That is what the Council meant by saying we ought to have severe objective tests.

Senator MILLIKIN. We ought to have a rounded theory on how total and permanent disability is going to be taken care of when there is bona fide need; and whose responsibility it is going to be to take care of it.

Mr. FOLSOM. This would be just the start of it, of course. When it comes to private pension plans, because this does relate to the Government insurance plan, there are now over 12,000 individual company pension plans covering between four and five million persons. Most of these have been adopted since the enactment of the social security law in 1935 and are integrated with it. In the great majority of these plans, the sharp increase in wages and cost of living have had the same effect as on the Government plan and the benefits are now out of line with current wages and living costs. The proposed

improvement in benefits under OASI will go a long way to correct this situation for workers with annual income below $3,000. Except for some recently adopted, most company plans provide definite benefits in addition to social-security benefits and in most cases the workers will receive the full increase in the Government benefits.

Of course, that is not true as to some of these plans just adopted. In our plan, for instance, we provide a definite benefit. It is 1 percent of salary for each year of service for a salary below $3,000 and 2 percent for each year of service for a salary above $3,000. That difference is in order to adjust for the social security.

Now most other plans are on a similar basis. So any increase in social security benefits the worker would get, and it would not necessarily affect the private plan. Of course, the private plan, if they wanted to change it, could later on be changed, but in my opinion most of them will not be changed, so that the worker will get the full increase in benefits.

Senator MILLIKIN. As distinguished from the number of pension plans, can you tell us the number of persons that are covered under plans where the social security is added, and the number where it is subtracted?

Mr. FOLSOM. I will say a great majority of workers were covered under plans where there was a definite benefit in addition to social security, until these recent plans were adopted. Then, of course, these new companies include large numbers.

Senator MILLIKIN. May I ask Mr. Cohen if he has any statistics on that? I am not talking about the number of plans, but the number of persons who are affected by the plans: (*a*) Where they can add their social-security benefits to what they get out of their private plan; and (*b*) where they have to subtract them.

Mr. COHEN. I think, as Mr. Folsom indicated, the number is almost completely in the great collective-bargaining plans that have been added in the last year and a half or two. And that would probably add to something, now that those contracts have finally been consummated, in the neighborhood of probably a million and a half to two million people, as a rough guess.

Senator MILLIKIN. If you can get something that is not so rough, will you put it in the record?

Mr. COHEN. Yes.

(The information requested is as follows:)

RELATION BETWEEN PRIVATE RETIREMENT PLAN BENEFITS AND OLD-AGE AND SURVIVORS INSURANCE BENEFITS

Benefit formulas in private retirement plans generally make some allowance for the old-age insurance benefit under the Social Security Act. This is usually done in one of two ways:

A. Benefit formulas that take into account the benefit formula of the act. These are found especially in plans unilaterally sponsored by employers. The following are illustrations: ¾ percent of the first $3,000 of annual earnings, plus 1½ percent of annual earnings in excess of $3,000; ¾ percent of annual earnings between $600 and $3,000, plus 1½ percent of earnings in excess of $3,000.

B. Deduction of the full or part of the amount of the social-security benefit from the amount of the benefit resulting from the benefit formula under the private plans.

As of December 31, 1949, our files show at least 1,963,000 out of approximately 7,000,000 employees are covered under plans of the specific deduction type (B above).

Since many of the newer plans being established through collective bargaining follow the Steel and Ford deduction-type formula it is likely that the number covered under this type of formula is now over 2,000,000.

Mr. FOLSOM. With the recent widespread discussion of private pension plans, the question naturally arises as to the respective fields of the Government plan and voluntary plans.

Most students are agreed that a governmental plan is necessary to provide the basic economic protection for the aged and that all the gainfully employed should be included in it. This protection should be sufficient to prevent dependency but opinions naturally vary as to the exact level.

As stated above, the increase in benefits as provided in H. R. 6000 would seem to be adequate for the Government plan.

Aged persons do not need so large an income after retirement to maintain their standard—the children are grown and the home generally paid for, and other expenses can be reduced. Those who have had considerable experience with pension plans feel that for the workers in the lower-wage groups a combined annuity from the Government and private plans of about 50 percent of pay is about right. For the middle group a rate of around 45 percent would be adequate, with lower percentages for the higher salary groups. There would thus still be strong incentive for the individual to practice thrift during his working lifetime so that he can live after retirement without too much of a drop in his scale of living.

The following table represents the percentage which the benefits would represent of the average monthly wage in the case of a single man and a man with wife over 65 under H. R. 6000, assuming 12 years' coverage:

Benefits as percentage of average wage

[Assuming 12 years' coverage]

Average monthly wage	Single man	Married man with wife over 65
	Percent	*Percent*
$100	50	75
$150	39	58
$200	33	48
$250	28	41
$300	25	37

This plan would go a long way toward meeting the pension problem of companies located in some sections of the country and in small cities and towns where living costs are lower. Companies in these sections might find it necessary to have a supplementary plan only for those in the salaried groups. In large industrial centers, however, supplementary benefits for the higher-paid factory worker will also be necessary.

Some people are suggesting that benefits under the Government plan should be high enough to make it unnecessary for companies even in industrial centers to have a supplementary plan. Such action would be a departure from the basic principle underlying the Government plan, which is to provide only minimum protection to prevent dependency. This should be the extent of the Government's obliga-

tion. Once the Government attempts to provide income above this level, we would be establishing a new principle which could lead to guaranteed income for other groups in the community and eventually to a planned economy. It is interesting to know that the Socialists of Great Britain do not favor going this far. Their plan at present—and there is no indication they are asking for any change—provides a maximum benefit for the worker, whose wife is 60, of 42 shillings a week, which represents about 35 percent of the average monthly wage of factory workers in England. Information I have received from England about their plans over there is that there is no agitation from the workers to have that increased; because they know that if the benefits are increased their contributions will have to be increased. And there are hundreds of company plans in England to supplement the Government plan.

Some are also concerned that the spread of supplementary plans will result in an uneven pattern for pensions, with some workers being better off than others. But these people forget that a uniformity of benefits or wages is not an essential of our system. The needs vary widely with type of industry and location. As long as there is a basic protection, little harm and probably good would result from variation between companies and industries. We have always had such variation in the past.

Senator MILLIKIN. Mr. Folsom, you have always had such variations in the past, but have not those variations been sharpened up, in view of these recent private pensions? You and I start to work as machinists today, and we both learn to operate the same type of lathe, and we do exactly the same type of work. I work for "Big Steel," and you work for a little outfit. In the wink of an eye or two, we, each of us, are 65. I get a hundred bucks. You get, let us say, $23.50, or something like that. Or let us make it $50. Make it anything short of $100. How long can that kind of a system withstand the pressures?

Senator KERR. Under H. R. 6000, he would get a hundred bucks.

Mr. FOLSOM. If you get the Government scheme on the right basis, then your variation won't be anything like as great as it has been in the past.

Senator MILLIKIN. But will not each new adjustment we make provide, as I have said before, a plateau for a new movement to make new variations in the private plan?

Mr. FOLSOM. Well, not necessarily. I think you will find that if you get the Government scheme on the right basis, with these adequate benefits, along the lines I have suggested here, you are going to take quite a little of the pressure from this pension drive. Because a lot of the younger workers are naturally more interested in other things than they are pensions at 65. And as long as they feel that they are going to have some protection at 65, they are not going to be so concerned about putting pressure on private companies to spend most of their money on pension plans rather than something else.

Senator MILLIKIN. Most of the so-called small-business outfits of this country cannot afford such pension plans, can they? So that in the case of two men doing exactly the same type of work over the same period of time, of identical age, there will be something in the nature of a discrimination against the one who is not fortunate enough

to have employment with a company that has a better chance by reason of its size and wealth to make good on the pension plan.

Mr. FOLSOM. Of course, there are a lot of other differences, too. Some people, naturally, would rather work for a smaller company even if they didn't get these benefits. There are advantages to working with a smaller company, too.

Take two industries, like the automobile industry and the oil industry, both of which developed during the same period of time. In the oil industry the employees' benefits, all these benefits on top of wages, amount to about 23 or 24 percent of the pay roll. In the automobile industry those benefits are down to about 11 percent. Yet neither one of those industries has had any difficulty in getting workers. So it is part of our whole economy to have these variations. And people can pick the companies they want to. If they want to go to a company that has a good pension plan, they can. If they want to go to a company that has something better, they can go to that company. I don't think we have to achieve uniformity.

Senator MILLIKIN. I do not think it is entirely pick and choose, Mr. Folsom. If "Big Steel's" pay roll is full at the moment, and I am looking for a job to operate a lathe, I go where I can get a job. I may have preferred working for "Big Steel," but I go where I have to, to get the job.

Mr. FOLSOM. I say over the years most of the larger companies in the large industrial centers will have to have supplementary pension plans. They may eventually have them in more or less the same pattern. I don't think we ought to legislate that though.

Senator MILLIKIN. No; I do not think we can legislate on the private subject at all.

Let me put it to you this way, though: Do you not believe that, as these private plans pay more and more for pensions, you will have more and more pressures on this system, just exactly as we are having now, to increase the benefits under this system, in order to take care of those who do not have the benefit of these expensive plans?

Mr. FOLSOM. The most important thing you can do now, I think, is to get these social-security benefits on the right basis. Then we will get a little more reason into the consideration of these private pension plans that are going on now, and we will get them on a sounder basis.

Senator MILLIKIN. Let us assume we were doing it today. Then would you merely not have a new starting point for a new series of the same thing?

Mr. FOLSOM. Not if the companies really face the facts as to how much pension plans cost. Of course, I have felt for years, myself, that a pension plan is a good investment for a company. I think in the long run a company will derive savings from a pension plan that will tend to offset the costs. I think you get a better organization, better morale, and lower turn-over. But if a company is going to face the fact and pay what they should pay, it is going to be a very expensive business for many years. You have to pay for all this past service, and you have to pay for the future service. It is a question of cost.

Senator MILLIKIN. That brings us back to the little company. The little company operates under very thin margins. The little company is not in a position to make a good-faith pension plan of the

type that the big company makes. They might make a plan, but it might turn out to be not worth the paper it is written on. How many companies maintain a continuous existence, say, for 50 years, and maintain their solvency for 50 years?

Mr. FOLSOM. That is why I say you have to get the Government plan on the right basis. Then those smaller companies will have most of their pension problem taken care of, except for the people above this $3,000 level.

Senator MILLIKIN. That is exactly what I am talking about. In other words, the higher rates of benefits under this system are induced in part by the pressures that necessarily come from the little fellow who cannot duplicate these big-paying pension plans of the big companies. Is that not right?

Mr. FOLSOM. Yes. And if we had had this plan on this basis in the last few years, I don't think we would have so much of this pressure now.

Senator MILLIKIN. And if you had the power today to establish these increased benefits, that would not prevent a strike tomorrow for higher pensions in the companies that have high pensions. And if they succeeded and they have been very successful you would simply have the same thing to do all over again.

Mr. FOLSOM. Except that I think it will lessen the pressure considerably, mainly because of the opinions of the younger people, who are not nearly as interested in pensions as are older people.

Senator MILLIKIN. You would be surprised at the young people who talk to me about security, at the age of 30.

Mr. FOLSOM. I know. And it is rather surprising.

Senator KERR. All right, Mr. Folsom.

Mr. FOLSOM. Others are concerned about the investment of the reserves which would be accumulated if supplementary private plans were adopted on a wide scale. It should be realized that if the OASI is improved along the lines of H. R. 6000, the greater part of the pension load of the country will be assumed under the Government plan.

Even with the rapid growth in supplementary plans it will probably be some years before the annual accumulation of reserves under them will equal the current accumulation under the Government plan. When reserves under private plans later reach larger proportions, the Government plan might then be on a more nearly pay-as-you-go basis and the combined funds available for investment annually might not be so much more than they are now.

The important consideration in connection with supplementary pension plans is that early action be taken by the Congress to improve the insurance plan. Companies will then know what basic protection will be provided by the Government plan and can plan their programs to provide definite benefits as a supplement. We would thus be in good position to make sound progress in meeting this pension problem.

Payments by employers for pension plans are deductible for tax purposes under rules laid down by the Treasury Department. Employee contributions, however, are not tax-deductible items. Encouragement would be given to adoption of voluntary contributory plans if employee payments under established plans and within prescribed limits were deductible for income-tax purposes in the year in which payments were made. It is recommended that your committee give consideration to such an amendment.

Senator KERR. What would that cost?

Mr. FOLSOM. The Canadian Government has a similar provision in their law.

Senator KERR. What would it cost in terms of lost revenue?

Mr. FOLSOM. I have not figured it out. I will try to get some information on that.

Now, another serious tax problem has arisen because of the recent ruling by the Bureau of Internal Revenue which requires that the capital value of an annuity payable to a second person under a joint-and-survivor form of annuity must be treated as part of the estate of the deceased annuitant for estate-tax purposes. What that is, is that some people, like in our plan, instead of receiving an annuity of $150 a month, a man might say, "I will take $100 a month and have it continued as long as my wife lives." The Treasury Department has recently ruled that if you have a plan of that sort, when it comes to determining the value of your estate they will figure the present worth of that annuity to your wife and tax it.

Senator KERR. On the basis of her expectancy.

Mr. FOLSOM. And if she should die next month, you would not get the tax back. This ruling greatly discourages the use of this type of annuity and tends to deprive the survivors of protection which might otherwise be given. It is suggested that consideration be given by your committee to a revision of the tax law to correct this situation.

To summarize, it is important that action be taken by this Congress to liberalize and extend the Federal old-age and survivors insurance plan. I would recommend—

I. That the following changes be made in H. R. 6000 provisions relating to old-age and survivors insurance:

(1) That the plan be extended to all noncovered groups of gainfully employed to the greatest extent feasible;

(2) That the eligibility provisions be liberalized so that more workers now close to retirement age will be eligible to benefits upon retirement;

(3) That the base for taxes and benefits be maintained at the present level—$3,000—instead of being increased to $3,600;

(4) That the benefit formula which in the House bill provides a monthly benefit of 50 percent of the first $100 of average monthly wage and 10 percent of the next $200, with an annual increment of one-half of 1 percent, be changed to provide a benefit of 50 percent of the first $100 of average monthly wage, and 15 percent of the next $150, with no annual increment;

(5) That the work test be changed to permit earnings up to $50 a month without loss of benefits and that the benefit be reduced by earnings in excess of $50; also that no work test be required after age 70;

(6) That the effective date of the tax increase to 2 percent on each employer and employee be postponed from January 1, 1951, to January 1, 1955.

II. That no increase be made in the formula for Federal grants-in-aid to States under the old-age assistance plan and that consideration be given to methods for gradual reduction of such grants.

III. That if action is taken in connection with total and permanent disability insurance it be handled in connection with the insurance plan, that it be limited to persons totally and permanently disabled

between ages of 55 and 65, and that stricter tests be applied to determine the disability than provided in the House bill.

IV. That changes in the income-tax law be made to permit employees' contributions under established pension plans to be deductible for income-tax purposes.

V. That the tax law relating to joint-and-survivor annuities be changed so that they will not be subject to estate taxes.

Thank you very much.

Senator MILLIKIN. Mr. Folsom, while we are talking about things that have such long-range effect—I touched upon it earlier—do you know of any way that we can preserve the value of the dollar so far as preserving the validity of this system is concerned, as distinguished from preserving the value of the dollar in all other directions?

Mr. FOLSOM. Of course, the answer to that, the first answer, would be that we certainly ought to do everything we can to not have a deficit during a time like this.

Senator MILLIKIN. The answer, then, is that in this field and in all others we have got to conduct ourselves under sound fiscal policies.

Mr. FOLSOM. I think it is true that the people who have suffered the most from the inflation we have had, the lowering in the value of the dollar, are the people on fixed incomes, such as those on pensions. There is just nothing those people can do to meet the situation. And, looking ahead for 20 years or so, the chances are that we probably might have a gradual increase in prices. Some economists think that, and some think we might have a tendency in the other direction.

Senator MILLIKIN. Does that not depend on how we increase our productivity?

Mr. FOLSOM. As I said before, if we increase very much the benefits to people who are not working, the only way you can prevent that from lowering the standard of living is to increase the productivity of the people who are working. We in the past have had an increase of between 2½ and 3 percent in our productivity each year over a long period of time. Unfortunately, since 1940, we have not increased at that fast a rate.

Senator MILLIKIN. And we have been increasing the "deducts"; have we not?

Mr. FOLSOM. If we don't increase in productivity, we are bound to lower the value of the dollar or lower the standard of living, one or the other.

Senator MILLIKIN. As far as the system is concerned, if the value of the dollar should continue to decrease, we are going to have to make frequent revisions of contributions and benefits.

Mr. FOLSOM. Of course, if wages keep going up as they have in the past, you might be able to finance these proposed benefits with a maximum cost of, say, 5 percent of pay rolls, instead of what they are estimating now, about 7 percent of pay rolls. The system right now is costing less in terms of percentage of pay rolls than we thought it would in 1939, because wages and pay rolls have gone up, and the benefits have not gone up accordingly. So, you see, there are two factors in the equation.

Senator MILLIKIN. But in the future?

Mr. FOLSOM. In the future, if prices keep going up and wages go up, then we will have to revise benefits. In fact, the Council felt that you ought to have a restudy of this thing every 6 or 8 years, or at least

every 10 years, to bring it up to date. And we have waited too long this time to adjust it. That is why it is necessary that something be done right away.

Senator KERR. Thank you very much, Mr. Folsom.

Senator MILLIKIN. May I take this opportunity to express my personal thanks for the fine job you did on the Advisory Council.

Mr. FOLSOM. Thank you, sir.

(The prepared statement of Mr. Folsom follows:)

STATEMENT OF MARION B. FOLSOM

I am Marion B. Folsom, treasurer of Eastman Kodak Co., and I wish to give my personal views based upon a number of years' experience in this field. I was an employer member of the Advisory Council on Economic Security, which assisted in the drafting of the original Social Security Act of 1935 and a member of the Advisory Council on Social Security which submitted recommendations resulting in the changes made in the act in 1939. I have recently served on the Advisory Council on Social Security appointed by your committee. I have had experience for many years with the private pension and other employee benefit plans of the Eastman Kodak Co., both in this country and abroad.

I shall confine my statement primarily to changes which I would suggest in the provisions of H. R. 6000 relating to Old Age and Survivorship Insurance, but with some comment on the Old Age Assistance and Disability Insurance provisions.

I am in thorough accord with the basic principles of the contributory insurance plan, and believe that this plan offers the best method of meeting the economic problem of the aged. Joint contribution by payroll tax is a sound method of financing. The plan fits well into our economic system, with contributions and benefits depending upon the individual's earnings. If the original objective is maintained, i. e. to provide a basic layer of protection, it will not interfere with the incentive of the individual to save during his working life so that he can add to this benefit. Likewise, individual companies will often wish to provide additional pensions through voluntary private plans.

All three Advisory Councils which have studied this problem have reached the same conclusion—that the contributory insurance plan is preferable to the old age assistance method or to a free pension system.

Your committee's Advisory Council, which consisted of 17 members, representing employers, employees, and the general public, stated in its report of 1948:

"Public-assistance payments from general tax funds to persons who are found to be in need have serious limitations as a way of maintaining family income. Our goal is, so far as possible, to prevent dependency through social insurance and thus greatly reduce the need for assistance * * *.

"The Council has studied the existing system of old-age and survivors insurance and unanimously approves its basic principles."

OLD-AGE ASSISTANCE

Old-age assistance is simply charity relief and offers no incentive for the individual to provide for his own old age. It was recognized in the beginning that the insurance system was preferable but the assistance plan was necessary to take care of those who were already aged and in need and as a stop-gap until most workers could be brought into the contributory system. Unfortunately the program has not worked out as contemplated, mainly because the insurance system has not been extended to all those gainfully employed. The benefits and the beneficiaries under the assistance plan have increased rapidly.

The fears which many had at the beginning, about the shortcomings of the plan, have already been realized in some States. Due to the liberality in the rules for eligibility, a high percentage of the aged persons qualify in these States. The Federal Government's share of the cost has been greatly increased from the original dollar-for-dollar basis. Because of this increasing proportion of the payment by the Federal Government, the States have not been as careful as they otherwise would be in defining "need."

There is a wide variation in the percentage of persons who qualify for old-age assistance, ranging from below 10 percent of those over 65 in some States to over 80 percent in other States. The average for the country as a whole is 23 percent. There will undoubtedly be a tendency in the future for the States with a low percentage to relax their rules so that they will not be so out of line with other States.

If this happens, the cost of the program will increase even more rapidly than in the past. The cost of old-age assistance in the year 1949 was approximately $1,300,000,000 compared with $430,000,000 in 1939. Of this cost, the Federal Government's share in 1949 was $900,000,000. In any event, the cost of this program will continue to increase for several years because more people will be added to the rolls each year than will be dropped because of death.

To correct this situation the following steps should be taken: (1) strengthen the contributory insurance plan by extending it to all those gainfully employed as soon as possible and thereby reduce considerably the number who will be added to the assistance rolls in the future; (2) hold down the Federal grants for old-age assistance to the present level of benefits; and (3) shift gradually the old-age assistance entirely to the States for those who cannot be covered adequately under the insured plan. If the proposals in H. R. 6000 to increase further the Federal Government's share of the cost are adopted, there will be an even greater incentive for the States to relax their eligibility rules.

Another method of checking the growth of the old-age assistance program would be to pay no Federal grants-in-aid to persons newly qualifying for benefits under the old-age insurance program. The States would, of course, remain free to supplement the Federal insurance benefits on a true needs basis if they desired.

OLD-AGE AND SURVIVORSHIP INSURANCE

I agree with the conclusions of your Advisory Council that the present plan has three major deficiencies: (1) many workers are not now covered; (2) the benefits are inadequate; (3) eligibility requirements for many older workers are too restrictive. Of the 22 recommendations made by the Advisory Council to correct these deficiencies in the insurance plan, we were unanimous in respect to 20. We differed only in regard to the tax base and the method of taxing nonprofit organizations.

If the insurance system is not strengthened soon, there is a grave risk that the plan will come into disrepute and be abandoned for either the old-age assistance or the free pension method. It is therefore very important that action be taken by this Congress to improve the insurance plan.

The proposals in H. R. 6000 are intended to correct these deficiencies. The Ways and Means Committee, in its study, gave consideration to the findings of your Advisory Council as well as the Calhoun study made for their committee some years ago. In some respects the provisions conform with the recommendations of the Council but in other respects they do not.

EXTENSION OF COVERAGE

The several Advisory Councils which have studied this matter have recommended that the contributory insurance plan should be extended to cover all gainfully employed as soon as it was feasible from an administrative point of view. Universal coverage was contemplated in the original discussions. The sound principles underlying the plan would apply to one group as well as to others. As the Council stated, "The character of one's occupation should not force one to rely for basic protection on public assistance rather than insurance."

Inequities result from the fact that about 40 percent of employed persons are not covered under the system. Many workers shift back and forth between covered and uncovered employment. For instance, many workers in the excluded groups have accumulated some credits under the system because of employment in covered occupations, especially during the war, and yet they have not been in the system long enough to become eligible for benefits. Others who have completed only minimum requirements will receive benefits out of proportion to their contributions. It is for this reason that under universal coverage the cost, as a percentage of pay roll, would be less than under the present plan of limited coverage.

There has been very little disagreement with the principle of extending the coverage, but the question has been whether a practical method of administration could be devised. Both the Federal Security Agency and the Treasury Department officials now feel that feasible plans have been developed. These plans were described in detail to the Advisory Council and they seemed feasible to us. We therefore felt that the plans should now be extended to cover most of these in the uncovered groups.

I recall that during the discussion of the original bill, in 1935, many predicted that it would not be feasible to collect contributions and maintain records for the many millions who would be covered under this system, especially the employ-

ees of small companies. Yet the administrative problems were satisfactorily met and the plan is now being administered on an efficient and comparatively low cost basis. Very little criticism has been heard in recent years of the administration of the plan. I doubt if it would be as difficult now to extend the existing plan to other groups as it was to initiate the plan originally. Admittedly there are some serious problems, particularly for the self-employed and the casual farm labor, but I feel that they can be solved once the job is tackled.

Under H. R. 6000 the coverage would be extended to approximately 11,000,000 of the 25,000,000 workers not now covered. In general the House bill provides for extending the coverage to the nonfarm, self-employed persons (other than certain professional men, such as doctors, and lawyers); some household workers; employees of nonprofit organizations, other than ministers and members of religious orders; agricultural processing workers off the farm; Federal employees not covered under existing retirement systems; employees of State and local governments if the State enters into voluntary agreement with the Federal Security Agency.

The Advisory Council recommended coverage including all of these groups. It also recommended that coverage should be extended to include farmers and all other self-employed groups, agricultural workers, and household workers on a broader basis.

It is also felt that basic protection provided under the insurance plan should be extended to the Federal civilian employees and railroad employees, both of which groups have separate plans. We would not propose that employees covered under these plans lose any of their present benefits, but rather that they would be given basic protection under the general plan and that their plans would be adjusted to supplement the old-age insurance plan. The combined protection of both programs would be at least equivalent to that of the present plan. Such an adjustment was made in thousands of private plans when the original Federal plan was inaugurated. This change is particularly necessary for the short-service employees who benefit very little from the present plans—this is a substantial group. As general policy, there is no sound reason for the Government's operating special plans for any group. All should come under the basic plan and then those who shift from one occupation to another will not be penalized.

The House bill would extend coverage to employees in the Virgin Islands and if requested by the legislature to those in Puerto Rico. Because of the low level of earnings and special conditions in these islands, it would seem preferable to establish a commission to determine the kind of protection appropriate for those possessions.

The bill contains a new definition of "employee" which may lead to many complications. Most of the new persons intended to be covered might better be considered as self-employed. In any event, this section requires careful study.

If the Federal Security Agency feels that more time is required to work out the administrative procedure for covering some of these groups, such as farm workers, the effective date of coverage could be postponed.

TAX BASE

The bill proposes that the tax base be increased from the first $3,000 to the first $3,600 and that the benefit formula be applied accordingly. The Council recommended that the base be increased to $4,200, although a minority favored retention of the present formula. The feeling of several of us was that the objective of giving basic protection could be provided within the present tax base and that it is not desirable in a social-insurance plan to pay substantial benefits to those in the upper salary levels. Raising the base would not increase the benefits to those below $3,000 but only to those in the upper salary range who are better able to provide their own protection. Those above $3,000, who would retire in the early years, would receive a substantial windfall as they would have contributed very little toward the cost of the increased benefits.

The $3,000 base is uniform throughout the Federal-State unemployment compensation system. It is also used in several State temporary disability benefit laws. Voluntary supplementary pension plans are generally integrated with the present $3,000 wage base of the OASI. A change in the wage base of the insurance plan would create administrative difficulties with all these plans.

BENEFIT FORMULA

While the present plan provided adequate benefits when the amendments were adopted in 1939, the benefits are now out of line with current wages and cost of

living. This situation is caused by the present formula which provides benefits of 40 percent of the first $50 of monthly wage and 10 percent of the next $200. Because of the low credits for earnings over $50, the present formula does not reflect the increase in wages since the war. The average primary benefit to a retired worker has increased from $22.60 in December 1940 to $25.89 in September 1949, or 14 percent. The old-age assistance average monthly payment, in comparison, has more than doubled from $20.26 in 1940 to $44.46 in September 1949. Thus, while old-age-assistance payments have increased more than the cost of living, there has been comparatively little change in benefits under the old-age insurance plan.

The present benefits are unrealistic and in many cases persons who are receiving benefits must also obtain old-age assistance. To provide more adequate benefits, the Council recommended that the formula be changed so that the benefit would be 50 percent of the first $75 of an individual's average monthly wage, plus 15 percent of the next $275, but with no increment for length of service. H. R. 6000 provides a formula of 50 percent of the first $100 of monthly wage, plus 10 percent of the next $200, with an annual increment of one-half of 1 percent. The Council felt that the formula it proposed would provide adequate benefits to present and future beneficiaries and it was unwise and unnecessary to commit the system to automatic increase in the future.

The proposed formula would result in a substantial increase in benefits with the greatest percentage of increase for those in the lower income groups. With only a benefit of 10 percent of wages above $100 a month, however, it does not provide as great a differential between the higher and lower earnings as the Advisory Council's recommendations. Such a low differential might lead to criticism by workers above the lowest wage groups.

As a compromise formula between the House bill and the recommendations of the Advisory Council, I would suggest that consideration be given to providing 50 percent of the first $100 of monthly wages as in H. R. 6000, and 15 percent of the next $150, with no increment factor.

The following table shows the benefits at different wage levels for the present plan, H. R. 6000, and the above proposal, assuming the person has been covered for 12 years:

	Average monthly wage	Present plan	H. R. 6000	Proposed plan
Single man	$150	$34.00	$58.00	$57.50
	200	39.00	64.00	65.00
	250	45.00	69.00	72.50
	300	45.00	74.00	72.50
Married man with wife over 65	150	51.00	87.00	86.25
	200	58.50	96.00	97.50
	250	67.50	103.50	108.75
	300	67.50	111.00	108.75

Under H. R. 6000 the benefits would increase one-half percent for each year of coverage but would remain the same under the proposed plan.

Either proposal would provide realistic benefits in line with current living costs and would seem high enough to prevent dependency and thus adequate for a Government plan.

ELIGIBILITY REQUIREMENT

Under the provisions of H. R. 6000, the large number of older workers newly covered under the bill would have to contribute for at least 5 years before they would qualify for old-age benefits, and many would not work that long. Thus many of those now aged 69 or over would still have to depend on old-age assistance.

The Advisory Council recommended more liberal eligibility rules. It suggested that for the newly covered we use the same formula which was used when the system originally began operation in 1939. In effect this would mean that all workers who will have attained age 62 before the middle of, say, 1951 would be insured with a minimum of six quarters of coverage. While these workers and their employers would have contributed little toward the cost of their pensions, it is no fault of theirs that they were not previously covered, and if not eligible for insurance benefits many of them would probably receive assistance grants.

It is customary in private pension plans to provide benefits for the workers close to retirement age, even though they have contributed very little toward the cost.

I would, therefore, recommend more liberal eligibility rules for those now close to retirement age.

RETIREMENT TEST (WORK CLAUSE)

The Advisory Council felt that the present retirement test, under which a person who earns $15 or more a month is ineligible for retirement benefits is too severe. With a broadened coverage, this restriction would become much more serious because there would be less opportunity for work in noncovered employment. In my opinion the change recommended by the Advisory Council is better than that provided in H. R. 6000. The bill provides that a person would become ineligible if he makes over $50. This would be rather severe and would result in loss of the entire benefit if the earnings even slightly exceed $50. The Council recommended that his benefits be reduced by the amount received in covered employment in excess of $35 a month; the same provision could be made if this allowance were increased to $50.

The Council also recommended that there be no work test for insured workers aged 70 or over; this provision would be particularly desirable if the self-employed are included in the system. The House bill provides for no work test after age 75.

FINANCING

H. R. 6000 provides that the tax rate be increased from 1½ percent each on employee and employer, which rate became effective January 1, 1950, to 2 percent each on January 1, 1951. The bill also has a schedule providing further periodic increases until the rate of 3¼ percent on each is reached in 1970. The Ways and Means Committee contemplated that under this schedule the plan would be practically self-supporting—i. e., receipts from pay-roll taxes plus the interest on the reserve fund would be sufficient to finance the plan so that there would be no need to draw on general revenues now or at any time in the future. Under this program the reserve fund would reach about $75,000,000,000 if the intermediate (average between high and low) estimates of the actuaries are used.

The members of the Advisory Council were agreed that it would be well to have the contribution rates increased to 1½ percent each at the time the benefits were liberalized. If the benefits are increased soon this increase in tax rate on January 1, 1950, would be considered as in line with the Council's recommendations. The next increase in contribution rate, the 2 percent on the employee and 2 percent on the employer, the Council felt should be postponed until the collections plus interest on the invested funds, are insufficient to meet the current benefit payments and administrative costs.

Financing an over-all Government plan is different from financing a private plan. A private plan should be financed so that the liability when due could be paid from funds in hand; otherwise the employees would not be protected—provision has to be made both for the liability accrued at the time the plan is put into operation and for future liability. On the other hand, the Government does not have to set up a reserve fund to meet the accrued liability, and with its taxing power it does not necessarily have to have the funds in hand to meet the liability when due.

Under the contributory insurance plan the collections by the Government during the early years were bound to exceed pension payments because comparatively few draw benefits during the early years. It would not be feasible to start out a Government plan on a strictly pay-as-you-go basis because of the low contribution rate which would be required—a rate as low as, say, one-tenth of 1 percent and with a change in the rate each year. Such a low rate would also give the impression that benefits could be greatly increased without much cost, with the resulting high future costs.

The fund since 1939 has grown faster than anticipated due to the sharp increase in pay rolls during the war and lower benefits paid because of the higher proportion of older persons remaining in employment. Although the contribution rate was not increased from the beginning until this year, the fund has grown to about $12,000,000,000. Based upon present benefits, the excess collections in 1950 are estimated at $1,900,000,000. Even if the benefits were changed to take effect the 1st of July, the excess collections would probably exceed $1,600,000,000.

With the increased benefits, the collections at the present tax rate will continue well in excess of the benefits during the next few years. The actuaries estimate that with the 1½ percent rate, the benefits plus administrative expenses will not equal the collections plus interest until about 1957. Accoring to the Council's plan the rates would not be increased to 2 percent until that year and the 2 percent rate would be maintained until the disbursements again approach the receipts. The Council made no recommendation as to how the additional cost would be

financed from that time on—which would be in the early sixties—whether by further increase in pay-roll taxes or by other methods. It would depend on the conditions at that time, and on whether universal coverage had been obtained in the meantime.

This plan, which is a modified pay-as-you-go plan, would seem to be the logical method of financing. The reserve would build up to between 20 and 25 billion dollars during the next 10 or 12 years and that reserve could be maintained as a contingency reserve.

There are strong arguments against putting the Government plan on a full reserve basis as contemplated under the House bill. With a rapidly increasing reserve fund and with the increases in taxes contemplated, it would be difficult to prevent a further substantial increase in benefits. Such an increase would lead to much higher cost in the future. The large excess annual collections, together with the large balance in the reserve fund, would also undoubtedly have an indirect effect toward increasing appropriations for other purposes.

It is advisable to keep in the bill a schedule of future tax changes so that it will be known that the system requires substantial increases in taxes in the future. I would, however, recommend that the proposed tax increase to 2 percent be postponed to at least January 1, 1955.

TOTAL AND PERMANENT DISABILITY BENEFITS

The bill also provides for the payment of benefits for total and permanent disability to extend during the disability. There are hardship cases caused by long-term disability. The payment of benefits for such disability is extremely difficult to administer, however, because of the difficulty of determination, and the cost cannot be forecast with any degree of accuracy. As a result of these difficulties, private insurance companies abandoned such insurance some years ago. For these reasons there is doubt of the feasibility of attempting to cover this risk by social insurance. In view of the additional administrative burdens which the Social Security Agency will assume with the proposed extension of coverage, it would seem prudent to postpone action on total and permanent disability.

If action is to be taken, however, I would recommend that the total and permanent disability benefits be added to the insurance program, that eligibility be restricted to those between 55 and 65 years of age, and that objective tests be applied to determine the disability, as recommended by the Advisory Council.

PRIVATE PENSION PLANS

There are now over 12,000 individual company pension plans covering between four and five million persons. Most of these have been adopted since the enactment of the social-security law in 1935 and are integrated with it. In the great majority of these plans, the sharp increase in wages and cost of living have had the same effect as on the Government plan and the benefits are now out of line with current wages and living costs. The proposed improvement in benefits under OASI will go a long way to correct this situation for workers with annual income below $3,000. Except for some recently adopted, most company plans provide definite benefits in addition to social-security benefits and in most cases the workers will receive the full increase in the Government benefits.

With the recent widespread discussion of private pension plans, the question naturally arises as to the respective fields of the Government plan and voluntary plans.

Most students are agreed that a governmental plan is necessary to provide the basic economic protection for the aged and that all the gainfully employed should be included in it. This protection should be sufficient to prevent dependency but opinions naturally vary as to the exact level.

As stated above, the increase in benefits as provided in H. R. 6000 would seem to be adequate for the Government plan.

Aged persons do not need so large an income after retirement to maintain their standard—the children are grown and the home generally paid for, and other expenses can be reduced. Those who have had considerable experience with pension plans feel that for the workers in the lower wage groups a combined annuity from the Government and private plans of about 50 percent of pay is about right. For the middle group a rate of around 45 percent would be adequate, with lower percentages for the higher salary groups. There would thus still be strong incentive for the individual to practice thrift during his working lifetime so that he can live after retirement without too much of a drop in his scale of living.

The following table represents the percentage which the benefits would represent of the average monthly wage in the case of a single man and a man with wife over 65 under H. R. 6000, assuming 12 years' coverage:

Benefits as percentage of average wage

[Assuming 12 years' coverage]

Average monthly wage	Single man	Married man with wife over 65
	Percent	*Percent*
$100	50	75
$150	39	58
$200	32	48
$250	28	41
$300	25	37

This plan would go a long way toward meeting the pension problem of companies located in some sections of the country and in small cities and towns where living costs are lower. Companies in these sections might find it necessary to have a supplementary plan only for those in the salaried groups. In large industrial centers, however, supplementary benefits for the higher paid worker will also be necessary.

Some people are suggesting that benefits under the Government plan should be high enough to make it unnecessary for companies even in industrial centers to have a supplementary plan. Such action would be a departure from the basic principle underlying the Government plan, which is to provide only minimum protection to prevent dependency. This should be the extent of the Government's obligation. Once the Government attempts to provide income above this level, we would be establishing a new principle which could lead to guaranteed income for other groups in the community and eventually to a planned economy. It is interesting to know that the Socialists of Great Britain do not favor going this far. Their plan at present provides a maximum benefit for the worker, whose wife is 60, of 42 shillings a week, which represents about 35 percent of the average monthly wage of factory workers in England.

Some are also concerned that the spread of supplementary plans will result in an uneven pattern for pensions, with some workers being better off than others. But these people forget that a uniformity of benefits or wages is not an essential of our system. The needs vary widely with type of industry and location. As long as there is a basic protection, little harm and probably good would result from variation between companies and industries. We have always had such variation in the past.

Others are concerned about the investment of the reserves which would be accumulated if supplementary private plans were adopted on a wide scale. It should be realized that if the OASI is improved along the lines of H. R. 6000, the greater part of the pension load of the country will be assumed under the Government plan.

Even with the rapid growth in supplementary plans it will probably be some years before the annual accumulation of reserves under them will equal the current accumulation under the Government plan. When reserves under private plans later reach larger proportions, the Government plan might then be on a more nearly pay-as-you-go basis and the combined funds available for investment annually might not be so much more than they are now.

The important consideration in connection with supplementary pension plans is that early action be taken by the Congress to improve the insurance plan. Companies will then know what basic protection will be provided by the Government plan and can plan their programs to provide definite benefits as a supplement. We would thus be in good position to make sound progress in meeting this pension problem.

TAX INCENTIVES FOR PRIVATE PLANS

Payments by employers for pension plans are deductible for tax purposes under rules laid down by the Treasury Department. Employee contributions, however, are not tax-deductible items. Encouragement would be given to adoption of voluntary contributory plans if employee payments under established plans and

within prescribed limits were deductible for income-tax purposes in the year in which payments were made. It is recommended that your committee give consideration to such an amendment.

JOINT-AND-SURVIVOR ANNUITIES

Another serious tax problem has arisen because of the recent ruling by the Bureau of Internal Revenue which requires that the capital value of an annuity payable to a second person under a joint-and survivor form of annuity must be treated as part of the estate of the deceased annuitant for estate-tax purposes. This ruling greatly discourages the use of this type of annuity and tends to deprive the survivors of protection which might otherwise be given. It is suggested that consideration be given by your committee to a revision of the tax law to correct this situation.

CONCLUSION

To summarize, it is important that action be taken by this Congress to liberalize and extend the federal old-age and survivors insurance plan. I would recommend:

I. That the following changes be made in H. R. 6000 provisions relating to old-age and survivors insurance:

(1) That the plan be extended to all noncovered groups of gainfully employed to the greatest extent feasible;

(2) That the eligibility provisions be liberalized so that more workers close to retirement age will receive benefits;

(3) That the base for taxes and benefits be maintained at the present level—$3,000—instead of being increased to $3,600;

(4) That the benefit formula which in the House bill provides a monthly benefit of 50 percent of the first $100 of average monthly wage and 10 percent of the next $200, with an annual increment of one-half of 1 percent, be changed to provide a benefit of 50 percent of the first $100 of average monthly wage, and 15 percent of the next $150, with no annual increment;

(5) That the work test be changed to permit earnings up to $50 a month without loss of benefits and that the benefit be reduced by earnings in excess of $50; also that no work test be required after age 70;

(6) That the effective date of the tax increase to 2 percent on each employer and employee be postponed from January 1, 1951, to January 1, 1955.

II. That no increase be made in the formula for Federal grants-in-aid to States under the old-age assistance plan and that consideration be given to methods for gradual reduction of such grants.

III. That if action is taken in connection with total and permanent disability insurance it be handled in connection with the insurance plan, that it be limited to persons totally and permanently disabled between ages of 55 and 65, and that stricter tests be applied to determine the disability than provided in the House bill.

IV. That changes in the income tax law be made to permit employees' contributions under established pension plans to be deductible for income-tax purposes.

V. That the tax law relating to joint-and-survivor annuities be changed so that they will not be subject to estate taxes.

Senator KERR. Mr. Edgar G. Brown of the National Negro Council? Is Mr. Brown here?

Dr. Marjorie Shearon, editor, American Medicine and the Political Scene.

Dr. SHEARON. It is so late in the morning that I would barely get started, and I wonder if I could go over until tomorrow, perhaps?

Senator KERR. I am not aware of or familiar with what has been set for tomorrow, but my judgment is that those who are losing their place today would not have assurance of a place tomorrow. It is our purpose to hear all of the witnesses today who are set for testimony today.

Dr. SHEARON. Are you continuing after 12?

Senator KERR. Yes; we are.

STATEMENT OF MARJORIE SHEARON, PH. D., EDITOR AND LEGISLATIVE CONSULTANT, WASHINGTON, D. C.

Dr. SHEARON. I see. Very well.

My name is Marjorie Shearon. I am appearing in the public interest to oppose H. R. 6000 in its entirety. I am an expert in social security, having spent 9 years in the Federal Security Agency, 5 in the Bureau of Research and Statistics, 4 in the United States Public Health Service. From 1945 to 1947 I was a Senate consultant on health and social security and in 1947 was health consultant to the Senate Committee on Labor and Public Welfare.

In 1937 I wrote the economic brief, Economic Insecurity in Old Age, used by Robert Jackson in defending the Social Security Act before the Supreme Court.

I would like to show you a copy of this volume, because it contains more information on insecurity in old age than any other document that has ever been published.

Senator KERR. All right, Doctor.

Dr. SHEARON. I think I am correct in saying that.

It has been said my brief was largely responsible for the favorable opinion given by the Court when it sustained the four disputed titles of the act. I have been working in this field for more than 17 years, at Federal, State, and local levels, and have published extensively. Presently I am the editor of the weekly paper, American Medicine and the Political Scene. I speak as an independent, not being in the pay of any organization and not representing any group. In other words, I am an expert, and I hope that my knowledge will be of some value to the committee.

THE PROMISE AND THE FAILURE OF SOCIAL SECURITY

In 1935 when the Social Security Act was passed, many people felt it would ultimately bring about the end of destitution. I myself was greatly impressed with the seeming possibilities of the plan. We were still in the depths of a great depression. The claims for social insurance were appealing. For many years I worked on the assistance programs, old-age insurance, and compulsory health insurance. But the more I studied the philosophy and history of social insurance and the more I saw of the operation of the programs, the more convinced did I become that they could not be made to work. It takes a long time to see through the Social Security Act. The law is technical and complicated. However, whether or not one can follow the intricacies of the law there is no doubt that the promise of social security has not been, and cannot be, fulfilled. The act has failed of its many purposes. Commissioner Altmeyer, himself, claimed only one achievement for the law. He said the almshouse had been abolished. Unfortunately, he has no proof for that statement and many will question his right to make the claim. So far as I know the only census of almshouse populations was made in 1923, which was 12 years before the act was passed.

You may recall that back in 1935 when the WPA was being liquidated Harry Hopkins said the Federal Government was going out of the relief business. But the Government has failed to do so. It has simply changed the names of the various types of public aid. In 1932

the Federal Government spent a little over $4,000,000 on social welfare. Three years later it spent $2,000,000,000. The country was then in the depths of a depression. We thought of the expenditures as a temporary expedient. But now, 15 years later, during years of great national prosperity, years when national income is high and unemployment low, the Federal Government is spending close to $10,000,000,000 a year on health and welfare services. This is about four times as much as was spent in each of the depressions years of 1934, 1935, and 1936, and 2,500 times as much as was spent in 1932.[1] In 18 years the Federal Government has increased its expenditures 2,500 times.

The Social Security Board in 1936 took over most of the jobs being done by the WPA, FERA, and other Federal welfare agencies in the early 1930's. However, had it not been for that act which crystallized and made permanent a vast system of Federal public aid, we might reasonably have expected the demand for such aid to subside as unemployment receded and national income rose. But the Social Security Act saddled the country with a more all-embracing system of public charity than we had in the depression. Now for 15 years we have seen increasing numbers of people looking to governmental agencies for support. Public charity of one form or another is being accepted as a way of life by millions of our people. Many benefits are now being given under programs labeled "social insurance." This is a dishonest appellation because, as the British pointed out many years ago, social insurance is neither social nor insurance. Under these programs certain favored persons, through payment of a token tax, receive benefits for which they have not paid. It is just as much charity as it is when a person visits a charity clinic and pays 25 cents for medical care costing $10.

An artificial distinction has been drawn between social insurance and social assistance. The former is supposed to be due to certain workers and their dependents as a "right"; social assistance, on the other hand, is given to other persons and their dependents as pauper's aid. In reality there is small choice between the two since both forms of cash payments are made from tax funds. The recipient of social insurance benefits is in a privileged class. By paying the token tax—and sometimes not even that—he becomes "entitled" to certain benefits which, in the main, are paid for by the whole of society. His next door neighbor, less favored, may receive benefits also paid for by the whole of society, yet he may be compelled to submit to a means test.

The point I would make is that the various public aid programs which now cost the people of this country about $1 billion a month, from Federal, State, and local funds, are all similar in character. Some are financed from general revenues and are bestowed with or without a means test. Others are financed in part from general revenues, in part from social-security taxes. They are bestowed without a means test and are called social-insurance benefits. However, they are simply tax-supported benefits for favored segments of the population. They are not self-supporting; they are not insurance; they are a species of public charity.

The job which the Social Security Act was supposed to have done and failed to do was to find some way of providing for those individuals in the population who are unable to provide for themselves—namely,

[1] The Social Security Almanac, National Industrial Conference Board, 1949, pp. 10-13.

neglected and dependent children, the needy aged, some of the blind, some of those who are otherwise permanently and totally disabled, and the chronically ill who are needy. These several groups comprise roughly 10 percent of the population at present. These people constitute the hard core of dependency. As Sir William Beveridge pointed out, we have them with us always, in good times and bad. The number shrinks during periods of high employment and increases when job opportunities decline. They are a more or less constant charge on society and must be supported by family and friends or by the taxpayers to the extent their own savings are inadequate.

Our legislative and administrative difficulties with the Social Security Act have arisen largely from the fact that the act sets up two competing methods for tackling dependency: social assistance and social insurance. The latter is a cruel hoax. Workers are not buying insurance; they are not paying premiums: they are paying an ordinary income tax.[2] And I cite there as my reference the Supreme Court brief for the petitioners, in *Helvering* versus *Davis*, the brief prepared in the Department of Justice, in which the argument was made over and over again, in defending the act before the Supreme Court, that these were taxes. Well, if they were taxes in 1937 to win the case before the Supreme Court, they are taxes today, and they have not become anything else.

Senator MILLIKIN. It was suggested at the time that to call them taxes was the only way that the thing could be done constitutionally; therefore they were called taxes, and the argument was based on the premise of taxes, just as we call many streams navigable which in fact would not float a toothpick.

Dr. SHEARON. That is correct. But at any rate, it was the argument, it was the thing that was used by Mr. Jackson. The claim was made over and over again that they were taxes, as the only way to get the thing through and uphold the validity. If they were taxes then, they are still taxes. They have not become insurance premiums or any other fancy name to sell an idea to the public, and also to Congress, perhaps.

The workers of this country do not have a contractual agreement that for such and such a premium they will be entitled to a certain annuity at age 65. The workers of this country think they are paying for old-age annuities which will become payable at age 65. In reality they will not get anything unless they stop work, and unless they have had a specified number of years in covered employment. What they will get, if they get it, is a small wage-loss retirement annuity which will come to them as a gift from the Government, that is, from other taxpayers. These facts should be explained to the people so that we may have an end to all this talk about "benefits as rights."

The fact to be borne in mind is that millions of workers are destined to be fooled. Even now they are being cheated right and left, while the Government pockets the taxes without either paying benefits or returning what the individual has paid in. Thus a woman may work for 8 or 9 years before marriage and may never again return to the labor market. At age 65, if her husband has qualified under OASI, she will be insured by virtue of her married status and will be entitled to the fractional benefits accruing to her as wife or widow of an in-

[2] Supreme Court of the United States, *Helvering* v. *Davis*, brief for petitioners, 910, p. 40, 1937.

sured worker. However, she would have been entitled to those benefits even had she paid no taxes herself. She has thus been cheated out of 8 or 9 years' taxes for which she receives nothing at all. In the aggregate, the Government saves large sums by the scheme. I leave it to you to decide what name to apply to that sort of sharp practice.

I wish to call to your attention still another form of saving which Federal officials have in mind. There are now 3.5 million persons 65 and over who are entitled to benefits. Of this number 1.5 million have not applied for OASI benefits, presumably because they do not know their rights or are still working. During the next 50 years millions of workers will be cheated in this way. They will pay taxes for years but never collect anything. This is part of the Federal plan, not an accident. The Council of Economic Advisers to the President, in discussing this matter, states:

The following table illustrates, for the next quarter century, the probable growth of the total aged population and of the numbers eligible for and receiving retirement benefits under proposed legislation.

I will give you a copy of this table. I did not have it incorporated in the text. That is from the report of the President, the Economic Report of the President, transmitted to the Congress January 6, 1950. May I have that inserted in the record?

Senator KERR. You may.

(The table referred to follows:)

Estimated proportion of the aged population eligible for and receiving old-age insurance benefits, 1950–75 [1]

Year	Population aged 65 years and over					
	Total (millions)	Eligible for benefits upon retirement of earner		Retired and receiving benefits		
		Number (millions)	Percent of total aged population	Number (millions)	Percent of total aged population	Percent of total eligible
1950	11.5	3.5	30	2.0	17	57
1955	12.9	6.9	53	4.1	32	59
1960	14.4	9.0	62	5.9	41	66
1965	15.8	11.1	70	7.7	49	69
1970	17.2	13.0	76	9.5	55	73
1975	18.7	14.9	80	11.2	60	75

[1] Source: The Economic Report of the President, Jan. 6, 1950, p. 122, from FSA, Social Security Administration.

Dr. SHEARON (reading):

The estimates are based on our belief that many aged individuals will not retire voluntarily in an economy with abundant job opportunities. Accordingly, the number of individuals receiving benefits is estimated to be well below the number eligible under the insurance system.[2]

Just what does this mean to the old folks? It means the law has been so written that 1.5 million persons 65 and over, or 43 percent of all who are now eligible for OASI benefits, are not collecting them. To that extent the Government is profiting. Five years hence, according to the Government planners, there will be nearly 3 million

[2] The Economic Report of the President, transmitted to the Congress Jan. 6, 1950, p. 121.

persons 65 and over who will have paid their social-security taxes and will be eligible for benefits, but who will not apply. Twenty-five years from now 25 percent of the eligible aged will probably not be receiving any cash benefits and 40 percent of all the aged will not be retired and will not be receiving benefits. If 25 years from now two-fifths of the aged are still going to be without old-age insurance, what possible justification can be found for perpetuating the system? Furthermore, if a man pays social-security taxes for 40 years is he or is he not entitled to something for his money?

The Social Security Act has not accomplished any of its major purposes. Mr. Altmeyer himself has admitted that. It has not rid the country of destitution. It has not resulted in better labor-management relationships. There is certainly a greater feeling of insecurity among mature and aged workers than there has ever been. To be sure, a few have retired on lush OASI benefits for which they did not pay. They are receiving a dole under another name—social insurance. Thus, after 15 years of Social Security we find the country groaning under an increasing tax load for public aid. We find the trust fund $7,000,000,000 in the red. Employers, bedeviled to set up welfare funds, are urging more and larger benefits with a view to getting organized labor off their necks. No one is satisfied.

Under the present multiple system of public-aid programs there is no way to get around the anomalies and inequities of the act. Millions now old or approaching old age would not be helped were the Government to bring additional groups under the insurance system. Millions still would not be provided for either now or 25 years hence. H. R. 6000 does not now and never will provide old-age insurance for the great bulk of the aged. Millions will continue to fall between programs as bureaucratic and legislative casualties. If all taxpayers must pay for the benefits, then all taxpayers should share in the benefits on some consistent basis. If the Government insists on getting into this field of old-age annuities—and I sincerely wish it would stay out—then at least the plan should be universal in scope.

Current efforts now being made in Congress to patch up the unworkable Social Security Act are based, in the main, on statistical and actuarial predictions projected to the year 2000. Obviously such predictions have no validity. We cannot foresee events 50 years hence any more than we could, in the year 1900, have foreseen the great depression of the thirties of the calamity of two world wars. Estimates of cost and coverage which have been presented to you are weighted on the favorable side. They assume an expanding economy with rising wages, controlled unemployment, no major depression, and no wars. If any or all of these factors materialized, the estimates would collapse. It is, as a matter of fact, wholly unreasonable for the Congress to attempt to legislate for the future. Has the Congress any right to impose tax burdens on generations yet unborn? No Congress thus far has been willing to ask this generation to pay what the proposed social-security scheme is costing. Why, then, should tomorrow's children be compelled to shoulder larger taxes than this generation can bear?

IT IS NOT TOO LATE

The dilemma faced by Congress is a serious one. The longer you postpone coming to grips with it the worse the situation becomes.

Patching up the Social Security Act is no final solution. It will still bankrupt the country. Fortunately, it is not too late to undo the damage that has been done. Nearly half the working population is still free of the social-security taxing system. Benefits are still low. You could repeal the act, or at the very least, titles I and II and the former title VIII, now subchapter A of Chapter 9 of the Internal Revenue Code. Money thus far paid in in taxes could be credited to employers and employees. A fresh start could be made. It is better to admit than perpetuate a legislative error.

RECOMMENDATIONS

I wish to make the following concrete suggestions to this committee:

1. *Look into the philosophy of social security.*—You will find the scheme was evolved by Bismarck and his economic adviser in the 1880's. The primary purpose then, as now, was to tap new sources of revenue. A dual scheme was proposed: on the one hand the government was to take over control of banking, communications, and insurance; on the other, it was to set up compulsory state insurance to provide extremely small cash benefits and free medical care for the very poorest part of the population. The cash benefits were to cover part of the wage loss occasioned by industrial accidents, old age, sickness, and disability. Bismarck's adviser stated that these compulsory laws were designed not only to raise revenues and redistribute wealth but also to control the personal expenditures of the working class through regulative interference. Since the laws would enable the state to exercise such supervision over the workers, they were termed "social insurance" laws. In the beginning there was no state subsidy. Labor and management footed the bill and the government furnished the compulsion. The benefits 60 years ago were aptly referred to as "small bribes," and the total scheme of state control was called "the high watermark of state socialism." That was back in the nineties, and it was so recognized.

Social insurance was taken up by other ministers of finance who were looking for new sources of revenue. In 1911 both Great Britain and Russia adopted compulsory health insurance and other parts of Bismarck's plan. In 1919 the International Labor Organization was formed as an arm of the League of Nations. We did not join either organization. The ILO adopted Bismarck's program as its own during the ensuing 15 years. Under the directorship of the leading French Socialist of that time, Albert Thomas, the ILO carried the gospel of Geneva to all parts of the world, not overlooking the United States. In 1934, through the activities of Frances Perkins and with the approval of President Roosevelt, the United States became a member of the ILO. In so doing we agreed thenceforth to make our social legislation conform to the socialist principles laid down in Geneva. The President immediately appointed the Committee for Economic Security. Two men were brought over from Geneva to help draft our Social Security Act. The law as passed in 1935 was something wholly foreign in concept and philosophy. It did not belong on American soil. Probably few people at that time, save the planners who designed it that way, knew about the socialist structure of the Social Security Act.

Before we become any more deeply involved, I think the committee might advisedly review the origin of our Social Security Act, look into its philosophy, and recommend repeal.

2. *Investigate the activities of the International Labor Organization and consider the desirability of having the United States withdraw from that organization.*—At present we are definitely committed, as a member nation, to conform our social legislation in the fields of labor, health, and welfare, to Old World patterns that are entirely out of keeping with the traditional beliefs of freedom-loving Americans. The principles underlying H. R. 6000, for instance, were laid down in Montreal in 1943 during discussions between Commissioner Altmeyer, Cradle-to-Grave Sir William Beveridge, Wilbur Cohen, and other social planners. The principles they developed were adopted in 1944 at the ILO Conference in Philadelphia and were given the blessing of President Roosevelt.[4] I refer to this Official Bulletin of the ILO, in which these principles were enunciated.

Senator MILLIKIN. For the sake of the record, will you describe the bulletin accurately?

Dr. SHEARON. It was the Official Bulletin of the ILO, June 1, 1944, volume XXVI, No. 1, and the contents relate to the declaration, recommendations, and resolutions adopted by the International Labor Conference at its twenty-sixth session in Philadelphia.

The legislation was then drafted in the Social Security Administration, and today, 6½ years later, we are discussing adoption of this socialist-inspired bill. I might say I have a transcript of the conversations in 1943 right here, with Sir William Beveridge and Mr. Altmeyer and Mr. Cohen and other members from this Government, laying down the principles on a very broad basis for this Socialist scheme throughout the world, country by country; and after these discussions in 1943, they had the official meeting in 1944, approved the recommendations, and then, we being a member nation, of course, we have agreed to conform our social legislation to those recommendations.

Senator MILLIKIN. I believe, Doctor, that it is not quite that rigorous. The Council, the International Conference, has the right to recommend. We have the right to reject. But there is a certain pressure to accept the recommendations, since we are leading spirits in the organization.

Dr. SHEARON. That is right.

Senator MILLIKIN. I mean, technically, we still have our freedom.

Dr. SHEARON. Technically, you still have, but it is a technicality, or getting to be so, more and more.

That is perfectly true. The Congress of course has the final word in saying what legislation shall be passed. But year after year you have legislation brought out to you to consider, like this bill, H. R. 6000, which is drafted along the line of the principles laid down in Geneva.

After the 1943 Montreal meeting, Beveridge pushed his plan through Parliament in Great Britain. It resulted in Socialism. The same plan, if pushed through in the United States, would likewise result in Socialism, for national compulsory all-embracing social security is the very heart of Socialism.

[4] Official Bulletin, ILO, vol. VI, No. 1, June 1, 1944. Also Doc. 261, H. R., 78th Cong., 2d sess. May 29, 1944.

3. *Make a thorough study of the Social Security Administration.*—Consistent and oft-repeated complaints have been made against this agency because of maladministration. It would appear the committee has a duty to the people to ascertain what foundation there is for the charge that Federal funds have been misused and Federal laws broken. It has been demonstrated by witnesses before the Senate Committee on Labor and Public Welfare that false and misleading research reports and statistics have been given to Congress by Commissioner Altmeyer and members of his staff with a view to influencing legislation. Furthermore, in 1947 a considerable number of Social Security officials were charged by a subcommittee of the House Expenditures Committee with having used Federal funds for lobbying.[6] The FBI investigated the charges and reported to the Department of Justice. The case has not yet been prosecuted in the Federal courts.

Finally, I wish to bring to the attention of the committee a charge of a serious character which has recently been reported to me. The source of the information is exceptionally reliable, but I cannot reveal it lest reprisals be instituted by the Social Security Administration. This particular infringement of the law occurred in the Bureau of Old-Age and Survivors Insurance during 1949. It involves the preparation of data of a confidential nature derived from the wage records of individual workers. Tabulations were prepared for John L. Lewis over the protests of the Director of the Bureau of OASI, Oscar C. Pogge. Pressure was put on him by Commissioner Altmeyer. Estimates of the cost of those tabulations range from $180,000 to $235,000, with unofficial estimates running as high as $500,000.

You will recall that the Social Security Act stipulates:

SEC. 1106. No disclosure of any return or portion of a return (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or the Federal Insurance Contributions Act or under regulations made under authority thereof, which has been transmitted to the Administrator by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Administrator or by any officer or employee of the Federal Security Agency in the course of discharging the duties of the Federal Security Agency, and no disclosure of any such file, record, or other paper, or information, obtained at any time by any person from the Administrator or from any officer or employee of the Administrator, shall be made except as the Administration may by regulations prescribe. Any person who shall violate any provision of this section shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine not exceeding $1,000, or by imprisonment not exceeding 1 year, punished or both.

Now I call to your attention that the Social Security Administration is trying to have that sec. 1106 changed so as to permit the revelation of confidential material from the wage records to anyone who seeks it. Note the wording of section 1108 (a) (2) as it was inserted in H. R. 2893, and carried over into H. R. 6000:

At the request of any agency, person, or organization, the Administrator is authorized, to the extent consistent with efficient administration of this act and subject to such conditions or limitations as he deems necessary, to furnish special reports on the wage and employment records of individuals and to conduct special statistical studies of, and compile special data with respect to, any matters related to the programs authorized by this act.

[6] House Report No. 786, 80th Cong., 1st sess., 1947.

If it be true that the confidentiality of wage records has been violated once, it could be violated again. Any labor boss could gain undue power over the men in his union and he could resort to reprisals if he so chose. The question here raised is a serious one, namely, the sacred inviolability of the relationship between a citizen and his Government. If an official can break section 1106 of the social security law, would it not seem to the members of this committee we have progressed a long way toward the police state?

I might add that one reason students of social security distrust social insurance is that it places far too much power in the hands of Government officials. It offers inducements to officials to indulge in dictatorial practices.

4. *Abandon the costly wage records system in Baltimore.*—The Government is now paying over $1,000,000 annually to rent IBM machines to keep the records in Baltimore. During the fiscal year 1949 wage records were posted to over 50 million accounts. During the 1948 accounting year nearly 190 million wage items were received. As of June 24, 1949, there were over 115 million names in the employee index. Over 2.5 million employers were annoyed with the necessity of making out quarterly reports. As of June 30, 1949, the number of accounts which had been established was 93,356,137. As you know, the Social Security Administration is trying to persuade Congress to authorize an appropriation of $12,000,000 for a new building to house twice as many records. How many buildings do you suppose would be required during the next 50 years if the wage items keep pouring in at the rate of 190 million a year? In 10 years there would be 19 billion, in 50 years well over 100 billion. And, of course, the number would be very much larger if we had the entire population covered. The scheme is utterly fantastic and incredibly expensive.

If the Congress should enact H. R. 6000 into law, the administrative expenses of the Bureau of OASI would double at once from about $58,000,000 to $108,000,000 or $122,000,000 a year. That difference in the estimates depends upon whether they have the stamp-tax plan or a modified income-tax form.

Commissioner Altmeyer predicts smaller administrative costs, but the Bureau which has to do the job estimates double the present administrative expenditures.

It would be interesting to find out how many wage items have not been posted to accounts. Over 20 million items came in in 1948 which could not be matched by machine matching.

The fiction that benefits are geared to earnings might as well be dropped, because changing formulae have blurred much of that relationship. Furthermore, one of the primary purposes of social insurance is to redistribute wealth. Formulae are weighted so that those who earn more and pay higher taxes receive relatively smaller benefits.

If you are going to change those benefit formulae every few years, as Mr. Folsom has suggested, you will more and more destroy any relationship whatsoever between the benefit that a person gets and what he has earned in wages.

Furthermore, if you leave out the increment factor, you will then make an additional lack of gearing between the money earned and the benefits received.

In connection with the wage records I would point out that no estimate has ever been prepared of the true administrative costs of a program like OASI. The Nation, as a whole, has had to pay for the cost of record keeping by over 2,000,000 employers. This task falls with especial weight on small employers who frequently have to hire extra employees to handle the manifold jobs imposed by Government in the operation of the Welfare State. I raise the question whether the Government has a right to compel millions of people to work for it without pay as they now do in demanding private aid in the administration of these complicated systems.

5. *Cease discrimination against women.*—The Social Security Act reflects its Old-World origin in discriminating against women. I do not know of any cost-of-living study which indicates that an aged wife requires only half as much as her aged husband for food, clothes, and the like. Nor do I know of any evidence that a widow can live on three-fourths the amount her husband required. Furthermore, the bill proposes to lower the retirement age for women to 60. Women already have enough difficulty in the labor market in obtaining work after they are 35 or 40. If the retirement age is lowered to 60, employers will be even more loath to hire a middle-aged woman. There is yet another area of discrimination. Maternity benefits are given only to women working outside the home. The reason for this particular bit of discrimination is that our legislation has been drafted to conform to the ILO principle that cash benefits are given for wage loss not as a financial aid for a physiological condition such as maternity, old age, sickness, or permanent invalidity.

I might add here that if we should adopt the stamp plan, that would be another discrimination against women that you might not think about. I have just returned from a study of socialism in action in Great Britain, and I asked the wife of a physician if she would show me what she had to do each week for the Government. And she brought out an enormous folder like this [indicating], full of regulations, ledger cards, stamp cards, and so forth, that she had to prepare each week for the Government.

I said, "Well, that takes a lot of your time, doesn't it?"

She said, "Oh, indeed it does."

The books were: A stamp book for herself, her husband, her daughter, the secretary, the gardener, and the housemaid. Then there were the ledger cards to be kept for the PAYE—pay-as-you-earn—taxes, which were independent of these stamp books. She had to keep another book which was obtained from the Department of Agriculture, or Ministry of Agriculture, for a ration book for the chickens.

I might say that it may sound rather funny, but in actual practical realities, the stamp book is an invention of the devil, and women in this country would so find it. Can you imagine the housewives of this country, your wives, all the other wives, and all the other women who ever hire housemaids, having to keep stamp books, or else having to make out a quarterly report to the Government for income-tax purposes? How many women in this country know how to make out income-tax blanks? How many husbands would be bothered to death by having their wives coming to them and asking them for help in making out all these forms.

Senator KERR. I think it is a matter of our experience that it is seldom that the American wife, seldom if ever, approaches her husband in quest of knowledge. [Laughter.]

Dr. SHEARON. I mean, as a practical person, you really ought to look into this stamp book thing and look into it for a long time. They tell you the Treasury and the Social Security Administration have now worked out methods for handling farmers and the self-employed. there is nothing new about the stamp book. It is as old as German social insurance.

6. *Abandon the work test as an eligibility requirement.*—This is socially undesirable and economically wasteful. We should encourage people to work as long as they possibly can. With the rapid increase in the number of the aged we will find it more and more difficult for the working segment of the population to support this older group. Therefore for economic reasons, if for no others, we should as a matter of national policy encourage every one to work instead of retiring. Part-time jobs should be developed. The aged will be happier and in better health if they are gainfully occupied.

7. *The self-employed should not be compelled to enter the social-security system.*—It would be a great injustice to the majority of self-employed persons to force them to pay heavy taxes all their lives for benefits that, in most instances, they would never collect. Farmers, professional men, and the owners of small businesses would generally not wish to stop work at age 65. A farmer does not wish to sell his farm or to cease operating it simply because he reaches age 65. A physician does not ordinarily wish to stop practicing medicine. The man or woman with a small business does not wish to give up an occupation which is rewarding in many ways in order to receive a small Government annuity. I think many a self-employed person would prefer to have his money to invest in his business over the years than he would to be compelled to pay higher taxes. My husband and I are self-employed. We do not want anything from the Federal Government. We just want to be let alone, and I think that is the sentiment of millions of other self-employed persons, and perhaps others, too, who are not organized and who do not come here as pressure groups. Self-employed groups that are highly organized, such as farmers and physicians, have protested vehemently that they do not wish to be included in the taxing system. That was said in the Ways and Means Committee: that the farmers in particular have said they did not wish to be included, and the physicians said the same thing. In strange contrast, social workers have appeared before you asking that you cover all self-employed persons. What interest do social workers have in compelling independent groups to submit to Government control? Why should a social worker want to have me covered into this system? I just cannot understand it.

Senator KERR. Maybe she thinks that you are "social."

Dr. SHEARON. I am not a social worker. My training is in mathematics and——

Senator KERR. Not a social worker, but "social."

Dr. SHEARON. Well, I don't mind that word, except that it has an awful connotation.

Senator MILLIKIN. He smiled when he said that, you know.

Dr. SHEARON. I know it. He is all right. For instance, you are lawyers——

Senator KERR. That would not be too violent an assumption.

Dr. SHEARON. And would you want to come in under the Social Security Act? Would you want to see a son of 25 come in under the Social Security Act?

Senator KERR. I remind you that we are listening to statements; not giving them.

Dr. SHEARON. That is a rhetorical question, too.

Senator MILLIKIN. We are both under the retirement system.

Dr. SHEARON. A different kind of retirement system. It really pays you something.

I don't think we have heard anywhere near enough from the self-employed. I think it is extremely unfair. If you suddenly pass this now, it would put a heavy burden on me, and I have enough burdens already. I have been taxed 2 years already under the social security system. I have been gypped out of $60, and I will never get a cent out of it. I resent it. I resent it a lot. And I don't want to be brought in under the self-employed. It might put me out of business.

8. *Abandon the fiction that social insurance is either social or insurance.*—It is a clever taxing device and nothing more.

9. *Abandon the trust-fund concept.*—According to Commissioner Altmeyer's own testimony, the social security taxes are being used to finance present day Government operations. The taxpayers of some future date will be compelled to pay twice—once for their own social security taxes, which will be higher in the future than they are today, and in addition they will have to pay for the redemption of bonds which are being issued today. In other words, since the Government today does not dare to tax the people enough to pay for the welfare state, it is passing on the charges to the next generation. Put more baldly, we are going on a national binge today with the money which is to be squeezed out of tomorrow's taxpayers. Although this has been admitted, the Social Security Administration still talks about a trust fund and would lead the workers of the country to believe that their money is being saved for them by the Government. It's time to tell the truth about these matters.

Social security trust funds are a temptation. It is said Hitler used them to finance his operations. There is nothing to prevent dictators in other countries—here for instance—from getting a start in life even as Hitler did.

I think this committee would do well to consider whether the Government has a right to charge all taxpayers, even those not under the social security system, to pay interest on the I O U's in the OASI trust fund.

I am being compelled to pay out of my income tax for that $200,000,000 a year interest that is being paid, and that interest is just a subsidy to that trust fund, and the social planners counted an awful lot on that subsidy, on the interest on the money that isn't there.

Senator MILLIKIN. You are going to have to pay for the bonds in the trust fund some day.

Dr. SHEARON. Certainly. That will be left for the next generation. But I am glad to see that Mr. Folsom, with whom I heartily disagree on most things, has finally come around to saying that we do need a pay-as-you-go system. That is a great concession, and I am glad to hear him say that; but he says to put it off in the future. All of these things, as you know, are being put off in the future, because

they are so difficult. You cannot solve the problems today. That is one of the characteristics of social security.

10. *Pass a simple pay-as-you-go universal old-age annuity law.*—It has taken me a long time, I may say, to come around to this. I didn't believe this in the beginning. I didn't think it was a proper way to handle the problem. I was sold on the social insurance idea. I have now come to this conclusion, after years of thought, and worrying over the thing, and having administered programs at the State and local level, as well as having been in the Federal Government. I make this suggestion. I suggest incorporation of the following principles:

(*a*) Benefits to be payable at a uniform rate to all persons at age 65 on presentation of proof of age and citizenship;

(*b*) The Federal Government might pay some basic sum, such as $50 or $60 a month. I would not go along with Mr. Williamson on as little as $30. I think that that would not do the job. States could augment this amount in those sections of the country, in the North, especially, where levels and costs of living are often higher.

Senator MILLIKIN. Dr. Shearon, are you speaking now of an insurance system?

Dr. SHEARON. No.

Senator MILLIKIN. You are away from that now?

Dr. SHEARON. No. It never has been insurance. I say let's be honest about it and drop it. And if we are seeking universality, why not drop the social insurance idea? If it is nearly universal, there is no sense in having the social insurance concept of saying that such and such people are entitled to it. If as much as 90 percent of the people are entitled to it, it doesn't pay you to try to administer it and exclude the other 10 percent.

Senator MILLIKIN. Would you levy a special tax to carry your system?

Dr. SHEARON. Well, I think that we might levy a special tax. I have made a couple of suggestions here on the next page as to how it might be done. I am not too sure in my own mind about this. It might be augmented by the States in those States where it was believed to be necessary. Such State augmentation would take care of geographical differences to some extent. The Federal benefit might well be enough for modest living in one of the cheaper sections of the country.

It would be assumed that many old people would still live with relatives, and that many would have some savings, as well as a home, and other assets. At the present time, roughly two-thirds of all persons 65 and over have some income, the median amount being $808. Only 3.5 million, one-third the aged, are entirely without cash income. The task, therefore, is to augment present resources rather than meet a problem of complete destitution.

My thought in mentioning $50 or $60 is that what the Federal Government should give as a basic benefit, no questions asked, should be enough to take care of most of the public assistance case loads and simply wipe out public assistance altogether. That would be a tremendous saving administratively. It would also be a tremendous help to the aged. It would take them away from the means test.

And I do not think there is anything much worse that could be done to a human being than to give a means test. I have given it to people, and I think it is horrible. That is one reason I came along

on the social-insurance idea. In the depression I administered relief at the local level, and later on made a very careful study of old-age assistance, and I was horrified at what it did to the people. So I would wipe that out in some way.

Senator MILLIKIN. What would your system cost?

Dr. SHEARON. Well, it would be a matter of easy multiplying, as a matter of fact.

Senator KERR. There are 11,000,000 aged. If you give them $50 a month, that is $600 a year.

Dr. SHEARON. That is right. It would cost around $6,000,000,000 at the present time.

Senator KERR. About 7 billions?

Dr. SHEARON. Six to seven billions. And it would go on up. It doesn't go up indefinitely. We know the total load would be about 19 billion later on. So you do know what the level is. It isn't as though it were just going to keep on going up forever. It is going to level off.

That amount is large, it is true, but we are paying more than that in various ways. You take administrative costs and the dual programs and overlapping, and the administration is quite an expensive job for the State and local people who actually do administer the programs—that is where the job is done; not here in Washington—on the old-age assistance.

The benefits should be made available at age 65 without retirement from the labor market. I think it is extremely important that we urge everyone to work as long as possible.

(*c*) Benefits should be made available at age 65 without regard to retirement from the labor market. Fewer than 1,000,000 of the aged now have cash income in excess of $3,000 a year. Earnings decline rapidly after age 65 for most persons and consequently it does not pay to set up expensive administrative machinery to exclude from benefits those who have a substantial income. The number will be less than 10 percent of all the aged.

(*d*) There should not be a means test or work test.

(*e*) Financing of Federal annuities could be accomplished either by a 3 percent tax on all income or a tax of $100 a year on every worker. Now, that is a large amount, but it might bring home to the workers of the country the fact that these programs are expensive. They have to be paid for. The workers should be made to comprehend that when benefits are universally available there is no longer a fictitious "other fellow" to be taxed for their benefits. Everyone has to pay. And as we get these benefits more and more universal, we are all in the same boat. We all have to pay. If we all have to pay, we all ought to get benefits; and that is an argument for universality.

But I think it is particularly important to let the workers know that these benefits are costly, very costly. I wouldn't mind starting out with a rather small sum. I might take Mr. Williamson's figure of $30, although I think that is pretty low. That wouldn't do the job. That would cut across part of your public assistance programs in the States where the payments are low, but it wouldn't take off the whole public assistance load, which I think you ought to try to do.

That is my concrete suggestion. I am not particular about the details. These are the general principles: that it should be universal,

should be payable, I think, at age 65, with no questions asked except age and citizenship. That would make it automatic. You would do away with the costly wage records, and you would do away with public assistance administration.

Senator MILLIKIN. For all occupations?

Senator KERR. All citizens.

Dr. SHEARON. Yes, for everybody. Make it universal. In that case, I think that it should be universal. The present system is so unequal and so unfair that universality is a bad thing; as, for instance, the way it hits the self-employed, who have to give up their business at age 65 and take a very small Government annuity.

Senator KERR. Doctor, if I may interrupt you at this point, we have about another 10 minutes.

Dr. SHEARON. I think I can finish.

Senator KERR. All right.

Dr. SHEARON. 11. *Do not embark on a permanent and total disability program under social insurance.*—I am strongly opposed to this program for two major reasons. First, no one can predict what it will cost. If the system is as highly restricted as suggested by Mr. Folsom, it wouldn't help very much, and there is no use in your starting it. Over the years pressure would be exerted to liberalize eligibility requirements; and that of course would increase the cost beyond these present modest estimates.

My second objection is a more fundamental one. There is not the slightest doubt that this program would constitute the thin edge of the wedge to nationalize medicine. If you were to adopt this program there would be an immediate demand to introduce the correlative program for compulsory cash sickness benefits. The social security planners have advocated both programs for years. Indeed, if governmental agencies are going to give a man cash benefits when his income stops because he is aged, unemployed, or permanently disabled, then there is no logical reason for not tiding him over financially when his income ceases because he is temporarily sick. The two sickness benefit programs go hand in hand—one for temporary illness, the other for disability presumed to be total and permanent. The programs call for cash payments to replace part of earnings. But here is the danger. If the Government makes such cash payments during periods of temporary and permanent disability, then the Government must set up a program of compulsory medical care. It must nationalize medicine. This is the logical course because the Government must protect the insurance funds. The argument will be advanced that people cannot afford to buy medical care and that consequently they will be drawing sickness and disability benefits for longer periods than would be the case if the Government provided so-called free medical care.

It is of the greatest importance to see a bill like H. R. 6000 and similar social security bills, such as S. 1679 for the nationalization of medicine, as parts of a total program. Thus far what the Congress has been doing is passing piecemeal portions of the total Socialist program of Geneva. The program calls for total compulsion, universal coverage, and complete subservience to the State. With respect to social insurance the ILO laid down these principles at its twenty-sixth annual session in Philadelphia, in May 1944. We, as a member nation are committed to these principles. President Roosevelt in a

special message on May 20, 1944, sent these principles to the Congress with his blessing. Here they are:

> The range of contingencies to be covered by compulsory social insurance should embrace all contingencies in which an insured person is prevented from earning his living, whether by inability to work or inability to obtain remunerative work, or in which he dies leaving a dependent family, and should include certain associated emergencies, generally experienced, which involved extraordinary strain on limited incomes, insofar as they are not otherwise covered.[6]

The contingencies covered should be classified as follows, according to the ILO: And I point these out to show how extremely comprehensive is the program—it is total: (*a*) sickness, (*b*) maternity, (*c*) invalidity, (*d*) old age, (*e*) death of breadwinner, (*f*) unemployment, (*g*) emergency expenses, and (*h*) employment injuries.

The British Government passed an insurance law in 1940 covering all of these insurance contingencies. I meant to bring a little booklet, and I will give it to you if you are interested, showing the British system covering exactly all of these things, and worked out very much in the same manner as H. R. 6000. They have the total scheme there. We are just getting pieces of it now, and it comes to you in bills that go to different committees, heard before men who don't hear what goes on in other committees, and the total picture does not come immediately to mind as a part of a Socialist program.

The ILO also goes on to say that these cash benefits should be supplemented for each of the first two children and that provision for further children should be left to the program for children's allowances. That is also included in the total picture.

CONCLUSION

This is a program of state socialism for entire populations. Russia is the only country which has followed through completely. England is well on the way. Both England and Russia began their social-insurance programs by passing limited compulsory health insurance laws in 1911. The programs were financed by employee and employer taxes and state subsidies. In 1937 Russia changed over to nationalized systems supported from general revenues. In 1946 Great Britain passed a new social insurance law and at the same time nationalized medicine. We are following the path down which Britain has gone. When I visited Great Britain this summer both Conservatives and Socialists said to me: "You are following in our footsteps. You will have the compulsory welfare state in 10 years and a complete Socialist program."

It is for these reasons that I urge this committee to see where a bill like H. R. 6000 is leading. The United States today is not Bismarck's Germany of the 1880's; it is not Stalin's Russia or Aneurin Bevan's Britain of today. It is still a reasonably free country where the citizens are not yet compulsorily bound to the state. Let us remain free. However, if the Congress persists in forcing larger and larger segments of the population into a system of compulsory social insurance, if the Congress deprives the people of larger and larger taxes to support the welfare state, if these things are done under compulsive laws with threats of Federal punitive action against anyone who fails to do as ordered by Washington officials, then

[6] Official Bulletin, ILO, vol. XXVI, No. 1, June 1, 1944, pp. 10-11.

surely this country will be embracing the techniques employed by Britain and Russia and a few years hence the United States will turn into a Socialist or a Communist state. Year by year we have been going down the road of no return -- the road to state socialism. I urge that this bill be rejected in its entirely and that an American program be developed.

Senator KERR. Are there any further questions, Senator?

Senator MILLIKIN. I would like to ask this question, Doctor: What is the basic difference between your plan and the so-called Townsend plan?

Dr. SHEARON. The Townsend plan? I have never gone along with them. I have felt they wanted too much. And I don't really know enough about the transaction tax to know how it would operate. When I worked out a few cases, it seemed like a lot of money to charge. And I was a little dubious about the effect on the economy. I think whatever change we make and whatever we do now, we ought to start in in a small way and see how it works. We ought to do it year by year; not try to foresee the future, which is harder to foresee than it has ever been, I think. Make it small. Make the taxes not too heavy. And then put on a program of education and publicity on the air and in the press to let the workers know that these programs are expensive. At the present time, we are not doing that. We are covering up. We conceal it. We don't tell the workers this is going to cost so much. And we have been running on a deficit financing basis that conceals the real situation.

I think we ought to just come out with the facts, tell the truth, and say: Of course, you would like to have $500 pensions a month if you can afford it, but if you are going to have that much it is going to cost so much in taxes.

Thank you very much.

Senator KERR. Thank you, Doctor.

Has Mr. Brown come into the room?

Are Mr. Griffith and Mr. Hall here? Can you gentlemen be here at 2:30?

The committee will recess until 2:30.

(Whereupon, at 12:55 p. m., a recess was taken until 2.30 p. m., this same day.)

AFTERNOON SESSION

(The committee reconvened at 2:30 p. m. upon the expiration of the noon recess.)

Senator KERR. The committee will come to order.

Dr. Griffith?

Will you give the reporter your name and identification?

STATEMENT OF DR. H. M. GRIFFITH, VICE PRESIDENT, NATIONAL ECONOMIC COUNCIL, INC., NEW YORK, N. Y.

Dr. GRIFFITH. My name is Dr. H. M. Griffith, vice president of the National Economic Council, Inc., in New York.

Gentlemen of the committee, the National Economic Council, whose membership includes a cross section of the American people upon a national scale, is opposed to the enactment of this bill or anything similar in character.

We do not impugn the motives of those who support this legislation. Doubtless, they are animated by sincerely humanitarian motives Yet most of the world's troubles, contrary to popular mythology, do not come from bad men. They come from the good people - people who, to gain ends that appear to be desirable, propose means which are highly undesirable, and which in fact may be destructive of the very goal they seek.

It is good for every individual to want to feel, and be, secure. The National Economic Council does not quarrel with this objective, for it is the dream of every man and woman to be secure, so far as security is possible in a world of accident, disease and inevitable death.

But how is an individual to attain security? Is he to earn it? Is it to be provided for him by others? Is it the duty of others to give it to him if he misses out in earning it for himself? If so, who should pay his share of the cost? Should someone who has earned his own way be forced to surrender a portion of his earnings to the improvident and unsuccessful? If so, upon what moral ground is the demand made, and who has the right to make and enforce it? These are fundamental questions which you must ask and answer before you decide whether this is a good or bad bill.

The National Economic Council believes that, despite the humanitarian intention of those who propose this and similar legislation, it is a very bad bill. We believe that it is not only morally bad, but that it is economically bad, and will, if enacted, ultimately result in the loss of all real security for everybody. We therefore wish to state briefly some of our reasons for opposing it, and for asking this committee to reject it.

1. This legislation is not consonant to the maintenance of a free society

The late Sir Henry Maine, probably the best-informed student of the evolution of human society and law who ever lived, summed up the essence of social progress when he said that "the movement of progressive societies has hitherto been a movement from status to contract" (Ancient Law, p. 100).

Just what did he mean by a movement from status to contract?

Ancient societies were all societies of status. All asserted the primary right of the sovereign or of the sovereign group. All rights of the individual were permissive, dependent upon the right of the family or subgroup to which he belonged, and could be canceled at pleasure. From cradle to grave all men were under obedience. What limited rights they possessed depended upon the status assigned them by the sovereign or the group. Today we call the group society.

There were, however, certain advantages to those who lived as subjects under a society of status. They had to work under compulsion, but in return they were taken care of at subsistence levels by the group. They had nothing of what we would call "freedom," but they did possess what we today would call "social security."

After many centuries when mankind had experienced no form of human association than the compulsory society of status, a complex of revolutionary ideas began to ferment. Some came from the Greeks; a greater element came from the Christian religion. They touched and awakened to life the desire for freedom lying deep within every human breast.

After centuries of conflict there emerged in certain quarters of earth societies based upon the revolutionary principle that rights are individual, that they do not depend upon birth or upon the permission of the group, that they are the gift of God to every man simply because he is a man, and that they cannot rightfully be taken away from the individual even by the group—what we today call "organized society."

It is the assertion of these rights and their necessary implications of which Sir Henry Maine spoke when he said that social progress has been a movement from status to contract. It is called "contract" because it rests upon voluntary agreements and associations.

Each of these two kinds of human society—and history knows but these two—is characterized by distinctive political and social institutions. Under status, men work by compulsion and are taken care of at subsistence levels by the group. Under contract, men work freely for rewards, assured that they can retain the fruit of their labor. Under contract, hope of increasing reward provides incentive for inventiveness and productiveness. Under status, whose economic characteristic is collectivism, lack of incentive means that production is and must remain at low levels. The free economy of contract must, in its very nature, outproduce the economy peculiar to the society of status.

Status professes to offer just one thing that contract does not profess to offer, that is, guaranteed security. In its very nature, on the other hand, the free society which holds out the chance of success also involves the risk of failure. It cannot guarantee against failure without destroying the incentives it holds out to those who seek success; that is, it cannot guarantee subsistence. It guarantees opportunity, with the premise that superior ability, greater energy, and more tenacious ambition will bring rewards far above mere subsistence levels. In doing this, the free society of contract releases high-energy human potentials which raise the standard of living far above what a compulsive collectivist society can achieve.

The American Revolution marked the greatest step ever taken by men in purging themselves of the fetters of status and supplying themselves with the instruments of free action. Our constitution, the first national political instrument to be based entirely on the doctrine of contract, is as much an economic as a political document. This dual character supplied the necessary conditions for the material and human progress we have made in the last 150 years.

Individual freedom, then, is the essential precondition for the release of economic energy. Our founding fathers deliberately chose freedom as the regulative principle of our total life, whether viewed politically, economically, or socially. They fully understood that the doctrines of the society of status, or any portions thereof, are inconsistent with the successful operation of a free society.

Today a tide of reaction is sweeping the earth. Its impulses are strong here in America. It is a reaction which labels itself "progressive," or "liberal," and purports to be concerned for human welfare. As a matter of fact it is neither progressive nor liberal, and it is the enemy of human welfare. For it is a great regression—an attempt to return to the pattern of status while stealing the vocabulary of those who through many centuries fought to free themselves from status.

The pattern of this profoundly reactionary effort is emerging clearly in the whole complex of proposals made year after year to the Congress. What is artfully called social security, though it is really no such thing, is a part of that pattern. The original Social Security Act of 1935 was a part of the pattern of reaction. Steps by this Congress to enact the extensions now before you might fasten the pattern inevitably upon the American people, for this is a step which, once taken, may never be retraced.

Those who aim to take us back from the freedom of contract to the rigid authoritarianism of status, and thus end the long struggle of the western civilization for human freedom, invariably confuse the issues by stating their ostensible objectives in humanitarian terms. They ask us to adopt this or that institution peculiar to status by arguing that it will accomplish some direct human good. Some of those who make such proposals know very well what they are doing and what will follow; others simply do not understand that the end result must be reversion to the society of status and the abrogation of human freedom.

This bill is in its nature characteristic of the society of status and destructive of a society based upon freedom. If its stated objective seems humanitarian, its effects are bound to be profoundly anti-humanitarian. The end result of the pattern now being imposed upon America, of which this legislation is only a part, will be to destroy the free system which it professes to strengthen. This will in turn involve the destruction of the real security of everybody in the general economic and social ruin that must ensue.

The issue, then, is not the welfare of a few millions of aged people. It is the welfare of the American economy as a whole. If that economy is destroyed, there will be no real security for anybody, the aged least of all. For a collectivist society can never produce enough to take care of everybody. And even if it could, those who live in it would not be free.

2. This legislation is morally wrong

This bill employs the device, now become so familiar in the twentieth century, of employing taxation as a device for taking the fruits of labor from those who have earned them and transferring the fruits of labor to those who have not earned them.

The practical effect of such action is sharply to limit the incentive of those who produce and whose production alone enables the free economy to function. It strikes a blow at the heart thesis of the free society; namely, that except for the absolutely necessary expense of government, one who earns or profits is entitled to retain the fruits of his own labor.

This presents a supremely important moral issue. The fruits of my labor belong to me. They do not belong to anybody else. They do not belong to you. They do not belong to anyone who has the might to take them. They do not belong to government. They belong only to me.

When government employs the coercive device of taxation to take my earnings away from me and to give them to someone else whom government deems more deserving, it robs me of what is by natural right my own. The fact that the robber bears the label "government" does not change the nature of the case. The rights of man are

based upon the natural law, the law of God, which exists prior to and independent of the power of other men, whether organized or unorganized. Government nowhere has any right or mandate to violate this natural law, and if it does so it is the duty of the individual to resist it. If this is not so the long struggle of the Anglo-Saxon peoples for liberty was a mockery and the Declaration of Independence and our Constitution were pious shams. Both those great documents are based squarely upon the assertion of inalienable rights. The robbery which this legislation pretends to legalize is beyond the power of man to make moral.

The only way in which government can deny that it is in effect breaking the moral law when it taxes me in order to give my earnings to somebody else, is to make the one, all-embracing assumption underlying the society of status—that rights are not inherent in the citizen, but flow from the permission of the state, that the rights of the state are primary and as such prior to all other rights. Shrink from it if you will. If you vote for this bill you vote for that assumption.

But this is the foundation upon which all absolutisms rest. It is the foundation upon which only absolutism may rest. It is a principle fatal to the continued existence of a free society. Once granted, all natural rights are swept away so far as mere naked power can do it, and no man has armor with which to defend himself against the state.

Once grant this assumption and henceforth no minority can live under the protection of law, for the state has asserted its own will to be the supreme obligation, and what the state decrees is anything that those who rule say it shall decree.

If you vote for this bill, then, you vote to declare that stealing is not stealing when it is done by government and under the form of law. You vote to end the social, political and economic consequences of the American Revolution, and to turn back the clock of human history. You vote to abandon the society of contract, of inalienable freedom. You vote to return to the dark ages of status, of bondage, to the lower energy output of a society that doles out subsistence to serfs. You, vote to liquidate the free society which offers opportunity, rewards the inalienable right of every man to enjoy the fruit of energy, intelligence, and frugality.

3. What this bill offers is not really insurance

The American people believe in insurance and are bound to have a favorable opinion of something presented to them as "insurance." But this legislation is not really insurance at all; it fails to distinguish between what is really insurance and what is really maintenance of the needy.

Insurance, properly understood, is an economic and actuarial transaction. It is based, not upon benevolence or need, but upon payments for contracted benefits, which are guaranteed by reserves kept inviolate for payment of such benefits. Anything less than this is not insurance and to call anything less "insurance" is fraud upon those who imagine themselves to be insured.

When government goes into what it calls the insurance business, it almost invariably commits this fraud. And it gets away with it by repeated assertions of noble intentions which have nothing to do with what it professes to offer as "insurance." As a matter of fact, while government has no real function in the field of insurance at all, it

does have a proper function in the maintenance of those who may be in dire need and without means to meet it. (Under our constitutional system, this function resides in the States and local communities, not in the Federal Government.) But when government gets into insurance then talks about it in terms of human need and the obligations of society, it is fatally confused about the nature of what it is doing. The result is, that it provides neither real insurance nor does it confine itself to its proper functions in relation to the needy and the distressed. Bit by bit it adopts portions of the doctrine of status, and proposes direct maintenance or supplementary grants to persons who are not indigent, but who some bureaucrat may decide do not have enough income to make them feel socially secure.

This tendency is not peculiar to the United States. It is peculiar to the confused bureaucratic mind. In Germany, the cradle of so-called social insurance, the same confusion took place—with drastically bad results for the whole economy. The great German insurance authority, Walter Kaskel, saw in 1922 a tendency—

to increasingly emphasize the public relief character of the institution, to make the state guarantor of the minimum subsistence level of its citizens and to transform the contributions into a kind of tax levied on those most concerned, in order to raise the needed means.

The state was moving then in the disastrous direction of general maintenance of the whole population. When Hitler moved in, he found the system agreeable to Nazi totalitarianism, and highly useful in the enforced Nazification of Germany.

Senator KERR. May I ask a question there?

Dr. GRIFFITH. Yes, sir.

Senator KERR. You state, "the taxes collected are spent for general purposes of the Government." You are aware of the fact that is not correct in view of the fact that the taxes or contributions or whatever you may call them are collected and then invested by the agency in Government bonds, are you not?

Dr. GRIFFITH. I am not aware of the interpretation you are putting on that transaction being a correct interpretation, sir.

Senator KERR. When you use the word "spent" do you have a different meaning in mind than when you use the word "invest" or "purchase"?

Dr. GRIFFITH. In this particular case, yes.

Senator KERR. Describe to me the way you understand the transaction takes place.

Dr. GRIFFITH. I understand that the money is collected, sent to the Treasury, that the social-security system then notifies the Treasury that it wants credit on a certain number of bonds. Sometimes that is done over the telephone, as I understand.

Senator KERR. Does it all add up to a transaction whereby the Social Security Agency as such becomes the owner of Government bonds?

Dr. GRIFFITH. It gives the appearance of that, but I do not believe it is a real transaction.

Senator KERR. They either have bonds or they do not.

Dr. GRIFFITH. I understand that no physical bonds change hands.

Senator KERR. When you write a check on a bank you do not transfer the physical money, as I understand it. You transfer the ownership of money located in a central institution for safe keeping

from yourself to the one to whom the check is given and the Social Security Agency either becomes the owner of Government bonds or it does not. Now if you are telling us that it does not, that is one thing. I would like to know what you are telling us.

Dr. GRIFFITH. I think, sir, that both the Treasury and the social-security system are different agencies of the same Government.

Senator KERR. I think that probably the committee will take official notice of that fact.

Dr. GRIFFITH. Yes; and, therefore, when one branch of the Government goes through the form of selling an obligation of the Government to another branch of the Government there is no real transaction.

Senator KERR. Does the one branch of the Government that sells the bond have the right to sell it?

Dr. GRIFFITH. It has the right to sell it if it is being sold to something other than itself.

If you will let me put it this way, I think the transaction is just as if I put an I O U to myself in my own bank account and tried to consider that as an asset.

Senator KERR. If that is the way it is, then you or I do not understand what takes place; and if I do not understand it, I want to be advised. If you do not, I would think that you would want to be advised.

Dr. GRIFFITH. I think we are agreed on that, sir.

Senator KERR. Yes. Now the Federal Reserve bank is a creature of the Government, is it not?

Dr. GRIFFITH. That is right, it is a creature.

Senator KERR. The Social Security Agency is a creature of the Government?

Dr. GRIFFITH. No, sir; it is a part of it.

Senator KERR. Is it created by the Congress?

Dr. GRIFFITH. Yes, sir.

Senator KERR. Is it a part of the Congress?

Dr. GRIFFITH. No, sir.

Senator KERR. Then it has an identification, does it not, an identity and you have been using the word here which I think might be applicable in one of its broad meanings, it has a "status."

Dr. GRIFFITH. That is right.

Senator KERR. It receives money and it pays out money?

Dr. GRIFFITH. Yes, sir.

Senator KERR. Now are you saying to me that it does not have that identity which permits it to become the owner as an agency of a bond belonging to this Government?

Dr. GRIFFITH. I think, sir, that it does not have the kind of identity which would permit it to be considered separate from the identity——

Senator KERR. Does it have the right to buy bonds?

Dr. GRIFFITH. I would think it has the right to buy private securities.

Senator KERR. Does it have the right to sell the bond?

Dr. GRIFFITH. It might have the right to sell the bond, sir.

Senator KERR. If it has the right to buy the bond and sell the bond, then it has the right of operation and with it the corresponding responsibility of operation, does it not?

Dr. GRIFFITH. If I grant that, sir, I still cannot grant——

Senator KERR. I am not asking you to grant anything; I am just asking you a question of fact. I mean that is either correct or it is

not. I ask you to do nothing for me and you ask me to do nothing for you in recognition of whether or not a certain thing is a fact. It is either a fact or it is not. If it is, I recognize it, and if it is not, you cannot make it so, and vice versa.

Dr. GRIFFITH. That is right, but I do not think the conclusion in your mind as the result of the facts you have just stated is a true conclusion. If my right hand owes my left hand something, I still do not owe it to anybody else but myself.

Senator KERR. If you follow that to its logical conclusion, in view of the fact that the people are sovereign, then whatever their Government owes they owe and whatever their Government owns they own; therefore, they owe themselves and do not owe anything.

Dr. GRIFFITH. No, sir; I would not say that because I think the Government is an entity in a different sense than the people are an entity. The people are sovereign. It is a fountain of power.

Senator KERR. You mean form of entity in their Government?

Dr. GRIFFITH. The people have formed their Government into an entity.

Senator KERR. You do not think, though, that the Government has formed the Social Security Agency into an entity?

Dr. GRIFFITH. I think it has formed the Social Security Agency into what we might call a subentity which is a portion of the Government itself.

Senator KERR. Is not the Government a portion of the people?

Dr. GRIFFITH. No.

Senator KERR. All right, proceed.

Dr. GRIFFITH. We have said that unless proper and adequate reserves are kept for the meeting of contracted obligations, the transaction should not and cannot honestly be described as "insurance." Every member of this committee knows that the so-called reserves kept by the Government of the United States for social-security benefits are not really reserves at all.

Senator KERR. Let the record show that the member of the committee who is present does not have that knowledge.

Dr. GRIFFITH. They are book entries only of an obligation of the Government to itself. The taxes collected are spent for general purposes of the Government. This is a fraud upon the American people who generally assume that Government insurance, of course, lives up to legal standards set for insurance companies. In this respect what the Government of the United States is doing is to call ethical what it would jail any insurance company official for doing. If any insurance company in any State showed only such entries and no real assets set aside and untouchable to meet contractual obligations, it would be closed overnight and its officers would be prosecuted. They would be prosecuted rightly, for they would be lacking in fundamental honesty.

Earnestly, we say to you that the whole social-security fabric in this country reeks with this transparent fraud. Maintaining the outward forms of insurance it lacks the fundamental integrity and character of insurance. To extend this to millions of people now said to be "uncovered" is to extend the fraud. In any real insurance sense, nobody is "covered" now and nobody else will be "covered" if the bill before you should be passed, unless you also enact legislation requiring that adequate, actual, reserves be created and maintained.

Senator KERR. How would you do that?

Dr. GRIFFITH. The only alternative, sir; would be to have the Social Security System hold the securities——

Senator KERR. What securities?

Dr. GRIFFITH. Just what I was about to say, sir; to hold the securities which are available for ordinary investment excepting Government securities.

Senator KERR. How would you feel about it if they had cash?

Dr. GRIFFITH. I think they ought to keep some cash.

Senator KERR. How would you feel about the integrity of the transaction if they had it all in cash?

Dr. GRIFFITH. I think as far as its integrity is concerned, its integrity would be all right if Government lives up to its obligation.

Senator KERR. They collect cash, do they not?

Dr. GRIFFITH. That is right.

Senator KERR. Suppose they just built a vault big enough and kept it all in the vault; they collect it in the form of cash and then instead of paying it out in checks, they pay it out in cash; would that satisfy your concept of the requirements of the trust and clothe it or vitalize it with integrity?

Dr. GRIFFITH. That would make the transaction honest as between the agency and the citizen. I do not think that would be a good thing for them to do, however.

Senator KERR. But would it meet your requirement to where it would cease to be a fraudulent transaction?

Dr. GRIFFITH. To that extent; yes, sir.

Senator KERR. If it does, it does.

Dr. GRIFFITH. There are other aspects in which it is not good insurance either.

Senator KERR. I am talking about that phase of it.

Dr. GRIFFITH. That particular phase of it, yes.

Senator KERR. Do you have a piece of cash in your pocket?

Dr. GRIFFITH. Yes.

Senator KERR. Would you take it out and look at it?

Dr. GRIFFITH. Yes. I am sure you will not object to a dollar bill.

Senator KERR. I know more about it than any other one.

Dr. GRIFFITH. Right.

Senator KERR. Do you think if you had returns in this form right here that would meet your requirement concerning the integrity of the operation and the elimination of fraud?

Dr. GRIFFITH. Of that particular phase of it.

Senator KERR. Well, that is the phase you are talking about?

Dr. GRIFFITH. That is right.

Senator KERR. I read here that the United States of America holds $1 in silver payable to the bearer on demand. Is that more than a promise of the Government to pay?

Dr. GRIFFITH. Yes, sir; it certainly is.

Senator KERR. What is it beyond that?

Dr. GRIFFITH. It is the promise of the Government to give something which it says it has on hand.

Senator KERR. That is a promise to redeem. Is that not what it amounts to, Doctor?

Dr. GRIFFITH. A promise to redeem this in silver; yes, sir.

Senator KERR. Does that have a virtue which a bond does not have?

Dr. GRIFFITH. It certainly does.

Senator KERR. It is more valuable than a bond?

Dr. GRIFFITH. In that respect, yes, it is secured by something beyond the faith and credit of the United States, secured by silver.

Senator KERR. And would you feel safer about the transaction if the Social Security Agency kept its income in non-interest-bearing certificates?

Dr. GRIFFITH. No, sir, I do not say that.

Senator KERR. Instead of in bonds?

Dr. GRIFFITH. I do not say that. I do not feel safe about the transaction either way.

Senator KERR. You said this would have the virtue of integrity.

Dr. GRIFFITH. I said it would relieve it of being what I spoke of as an illegal transaction.

Senator KERR. Do you happen to have a United States $5 note in your pocket?

Dr. GRIFFITH. Now we are getting some place; yes, sir, that is a $5 bill in irredeemable currency.

Senator KERR. This happens to be a silver certificate just like the dollar bill you gave me.

Dr. GRIFFITH. I am sorry, I will see if I can find you one of the other kind, a Federal Reserve note.

Senator KERR. I did not ask for a Federal Reserve note but it will do the same job. What does that say?

Dr. GRIFFITH. Do you want me to read it, sir?

Senator KERR. Yes. Does it say that the United States of America will pay to the bearer on demand $5?

Dr. GRIFFITH. That is right, that is what it says.

Senator KERR. Do you think the $5 note you have there is of equal integrity as the $5 note?

Dr. GRIFFITH. No, sir.

Senator KERR. You do not?

Dr. GRIFFITH. No, sir. I think any economist knows that, sir.

Senator KERR. You think that if the Social Security Board did have $1 silver certificates or $5 silver certificates, they would be living up to the obligations of honesty and integrity but if they had the Federal Reserve notes, United States bank notes, they would not?

Dr. GRIFFITH. I think that is a safe conclusion from what I just said, sir; yes.

Senator KERR. I think it is of value to the committee to find out how you think the Government can maintain the integrity of this fund.

Dr. GRIFFITH. I did not suggest that they maintain it in that fashion, sir; that was your suggestion.

Senator KERR. No, it was not my suggestion; it was my question.

Dr. GRIFFITH. Yes sir. You asked if I thought it would make it more honest. My answer is "Yes," but I still do not advocate that method of investment.

Senator KERR. I understand, but assuming that objective has been agreed upon, the means of accomplishing it then become of some interest and naturally the Government wants to do it in a way that will meet the requirements of integrity.

Dr. GRIFFITH. Of course, sir; it is not my position that they should have this fund at all.

Senator KERR. I understand, but then one of the reasons you gave for not having it was that it was a dishonest and an immoral transaction.

Dr. GRIFFITH. That is right, sir.

Senator KERR. I was trying to find out how you felt it could be made either or both honest and moral.

Dr. GRIFFITH. Well, sir, I tried to say a few moments ago—I do not know whether I completed saying it or not—it could also be rendered honest if they invested in the sort of investments excepting for Government bonds which are legal investments for life insurance companies. But that, of course, would mean that we are on the other horn of the dilemma and that Government would shortly own too large a slice of American industry with some very bad consequences.

Senator KERR. But you think if they took the money and invested it in securities, bonds, or other assets than Government bonds, that it would be more honest or that it would be an honest transaction as contrasted to the present one which you described as dishonest?

Dr. GRIFFITH. Yes, sir; that is a very fair statement.

Senator KERR. All right.

Dr. GRIFFITH. Real social security in the United States will not result from this or any other variety of economic quackery. For economic quackery it is, despite all the pious humanitarianism and the $10 words used to extol it. Real social security will come from only one thing: increased and further increased production. This will automatically carry with it full employment, steady employment, and a wider diffusion of economic good. Nothing else will provide these things. Asking for doles, setting up schemes for handouts which are miscalled "insurance" when they are not insurance, attempting the economic imbecility of so-called full employment bills is to miss the real point of how a free economy works, and the real benefits it can provide.

Prosperity, like happiness, is never achieved when sought for itself. It is always a by-product, gained only when men seek first of all to be useful, to find and to satisfy real economic needs. Such needs are all about us. There is enough potential demand for goods and services to support vast extensions of our economy here in America alone, even if every other continent were to sink into the sea. In our own lifetime we can see that extension come to pass, see such prosperity as we have never known, if only one thing is done.

The fetters and shackles now hindering American business enterprise must be unlocked.

To do this, or to begin to do this, is in your power. Give us, not doles, not insurance that is only a caricature of real insurance, or the other types of economic fakery that pass for business statesmanship. End the adventures of Government into the attempted suspension of natural economic law. Take the shackles off business. Make it possible for business to function as business. Give us a bill that will reduce taxes so that business and industry may distribute profits and have enough left for replacement and venture into new enterprise. Reduce the load that business must carry of subsidizing the nonproductive at the expense of the productive. Give us lower individual taxes so that people can save for old age instead of being dependent

upon Government which impoverishes them during their productive years and then gives them a small part back as a "benefit." Give us a sound currency, upon which we can rely. This will be a full production bill. Pass it and see what happens.

In large measure your decision will determine whether our free society of contract will be maintained and strengthened, or whether we are to choose to revert to the ancient pattern of status and servitude from which our forefathers made their escape. The burden upon you is heavy. You will be running counter to the current fashion. But you will be embarking our society again upon the road that made it great, from which it has been detoured for 16 years. We appeal to your insight, patriotism, honesty, and good judgment. We ask you to reject this bill. We ask you not only to reject it, but to substitute for it sound legislation which will bring the true social security we all want, but which this bill can only pretend to offer.

We ask you, not as repeating a catchword or slogan, but seriously and earnestly, to reject the philosophy of status and to reestablish the principle of freedom as the great test of all legislation and the dynamic energy of the American society.

Senator KERR. Dr. Griffith, do you have anything further for the record?

Dr. GRIFFITH. May I submit a little additional memorandum on this matter of the investment of the bonds?

Senator KERR. I would be delighted if you would do that.

Dr. GRIFFITH. Thank you.

(The memorandum referred to follows:)

STATEMENT SUBMITTED BY H. M. GRIFFITH, VICE PRESIDENT, NATIONAL ECONOMIC COUNCIL, INC., NEW YORK, N. Y.

There are several "trust funds" established by law on which the Government is crediting and paying large sums as earnings or interest from alleged investments of the funds in Federal securities, the ones with which your subcommittee is primarily concerned being the "Federal Old-Age and Survivors' Insurance Trust Fund" and the "Unemployment Trust Fund."

As to the former "trust fund," the Social Security Act provides that:

"There is created on the books of the Treasury a trust fund to be known as the Federal Old-Age and Survivors' Insurance Trust Fund," which, under the act, is to be managed by a Board of Trustees.

As to the latter "trust fund," the Social Security Act provides:

"There is established in the Treasury of the United States a trust fund to be known as the 'Unemployment Trust Fund," for the management of which no board of trustees appears to have been provided.

Both "trust funds" are authorized to be invested in securities of the United States to the extent to which they are not needed for payments to beneficiaries named in the act; and interest or earnings from such investments are to be credited to the respective funds.

I am told that the Treasury Department and the General Accounting Office will disclose that, at least as to the Unemployment Trust Fund, created with taxes collected in the States from employers of labor, has never been established as a "trust fund" in the Treasury, as required; but that the fund has been, and is being, handled as a special deposit account.

Inquiry of the agencies mentioned will also disclose that, if the funds were established and handled as true trust funds, warrants covering expenditures and investments therefrom would have to be countersigned by the Comptroller General, which is not required in the case of withdrawals from special deposit accounts. Such investments of the funds are, therefore, without supervision by the Comptroller General. The writer is informed and believes that, as far back as 1937, the Treasury Department was requested to establish the Unemployment Trust Fund as a true "trust fund," but it never did so, and no report of the failure was made to the Congress.

The view that these funds are not, in fact, treated and handled as true "trust funds," but are really handled without regard to specific and plain provisions of law, finds support in the following language found at page M47 of the 1951 Budget Message:

"*Trust accounts.*—Under the old-age and survivors insurance, railroad retirement, and Federal employee retirement programs, benefit disbursements are made from the trust funds and are not included in Budget expenditures. On the receipts side, the pay-roll contributions for old-age and survivors insurance are transferred directly to the trust fund and not included in total Budget receipts. Receipts and payments under the proposed health insurance plan would also be handled in this manner. Railroad retirement taxes, on the other hand, are included in total Budget receipts and are transferred to the trust account as a Budget expenditure. The Government contribution to its employee retirement funds is, of course, a budget expenditure (classified under general government)."

The undersigned is informed and believes that no real investment of the "trust funds" are ever made but that, instead, those charged with handling the "investments" merely prepare memoranda reciting and purporting to show that, on given dates, certain parts of the funds have been or are invested in specified Federal securities; and that, thereafter, credits are made of interest or earnings to the respective funds in keeping with such memoranda. In other words, it is my information and belief that the memoranda purporting to show investments are nothing more than I O U's of the Government, in the nature of an unexecuted broker's order against which named securities are never issued to the purported purchaser. My sincere belief is that the alleged "investments" of the trust funds in Government securities are mere paper transactions, and that securities are not, in fact, issued to the funds purportedly used in making the "investments."

At page M48 of the 1951 budget message there is found this statement:

"The money in these trust funds is invested in Government securities, and the interest earned is added to the principal of each trust fund. Accumulated assets now total $18,000,000,000."

The Social Security Act merely authorizes the crediting of interest or earnings to the respective funds, and no provision is made for reinvestment of earnings credited. Generally speaking, interest on interest, or compound interest, is not payable in the absence of clear and specific provision or law or contract for reinvestment and payment of such interest. The writer is informed, however, that the Government is "reinvesting" interest credited to the "trust funds," and is, in effect, paying compound interest thereon.

At page M83 of the 1951 budget message, under the heading "Interest on the Public Debt," this statement is found:

"Apart from this nonrecurring item, total interest payments will continue to rise in the fiscal year 1951. Each year more of the savings bonds sold during the war reach the stage where interest accrues at higher rates. Moreover, continuing accumulation of Government trust funds will cause further increases in special issues to such funds of obligations bearing rates of interest higher than the average on the entire public debt. Finally, the budget deficits this year and next will add to the total volume of interest-bearing debt.

"Interest payments on the Federal debt are widely distributed, and represent a particularly important source of income to certain institutions and groups. Almost $2,000,000,000 of interest in the fiscal year 1951 is expected to go to individuals and unincorporated businesses. * * * Another $1,000,000,000 will go to Government retirement funds, social security funds, and various other Government trust funds to build up reserves out of which future benefits will be paid. * * *"

It is thus seen that the so-called trust funds are being handled in a questionable way and manner; that they are operating greatly to increase not only the public debt, but also to increase at an alarming rate the rapidly-growing interest on that debt.

Seemingly, while Congress makes no direct contribution in the form of appropriations to the trust funds, those funds are being augmented and supplemented through "interest" or "earnings" credited to them at the ultimate expense of the taxpayers, and to the enlargement of interest on the public debt.

It is the writer's sincere belief that, if this or some other committee of Congress will investigate the way and manner in which the so-called "trust funds" have been, and are being, handled, including their "investments" in Federal securities, some very startling facts will be developed that will lend strong support for the views I have expressed to your subcommittee.

(At the conclusion of the hearing, Senator Kerr asked that a summary of the methods of operation and the investment procedures of the Old-Age and Survivors Insurance Trust Fund be obtained from the Social Security Administration and inserted in the record. The material submitted by the Social Security Administration is as follows:)

THE FINANCING OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE PROGRAM

This statement describes the collection of contributions and the investments of funds of the old-age and survivors' insurance program.

PAYMENT OF CONTRIBUTIONS

The program is financed through compulsory insurance contributions from covered employers and employees. From 1937, when the program started, through 1949 the contribution rate was 1 percent of wages up to $3,000 a year for the employee and 1 percent for the employer. Beginning in 1950 the rate is 1½ percent each; under the present law it is scheduled to increase to 2 percent each in 1952 (secs. 1400 and 1410 of the Internal Revenue Code).

The employer deducts the worker's contribution from his pay check every pay day. The employer is required by law to give the worker a statement showing the amount of his wages and the amount of old-age and survivors' insurance contributions which have been deducted.

The employer matches the contributions of his employees with an equal amount, and sends the total contributions to the local collector of internal revenue. The collector transmits the contributions and the quarterly wage reports to the Treasury Department. The contributions are paid into the Federal Treasury as internal revenue collections, and the quarterly wage reports are sent to the Bureau of Old-Age and Survivors Insurance in Baltimore to be credited to the workers' accounts.

DISPOSITION OF THE CONTRIBUTIONS

Section 201 of the Social Security Act specifies that each fiscal year there shall be appropriated to the Federal old-age and survivors insurance trust fund amounts equal to 100 percent of the contributions collected during the year, together with interest, penalties and any other additions to the taxes. This appropriation is automatic; it is not dependent on action by each successive Congress. The amount received in contributions is credited to the trust fund as received. The law provides that the amounts in the trust fund can be used only to pay the benefits and administrative expenses of the old-age and survivors insurance program.

MANAGEMENT OF THE TRUST FUND

Section 201 of the Social Security Act also provides that the trust fund shall be held by a Board of Trustees composed of the Secretary of the Treasury (who is the Managing Trustee), the Secretary of Labor, and the Federal Security Administrator. The law provides that the Managing Trustee shall invest that part of the trust fund which is not required to meet current withdrawals in interest-bearing obligations of the United States (that is, in United States Government securities) or in obligations guaranteed as to both principal and interest by the United States.

The obligations in which the trust fund may be invested include outstanding issues of the Government, which may be purchased at the market price, and obligations issued directly to the trust fund. The special obligations issued directly to the fund must bear interest at a rate equal to the average rate of interest borne by all interest-bearing obligations of the United States forming a part of the public debt. They may be issued only if the Managing Trustee determines that the purchase of other obligations is not in the public interest.

The purchase by the old-age and survivors trust fund of special obligations, other Government obligations, or Government-guaranteed obligations at issue rather than in the open market makes available to the general fund of the Treasury the amounts so invested. The transaction is equivalent to the Treasury's selling obligations to the public and receiving cash. Instead of private investors or banks as creditors of the Treasury, however, the old-age and survivors insurance trust fund is the creditor. Special obligations and other Government securities acquired at issue as investments of the trust fund appear in the Treasury statements as addi-

tions to the interest-bearing public debt; any guaranteed obligations acquired at issue would mean an equivalent increase in the contingent liability of the United States. Because of the funds made available to the Treasury in this manner, the privately held debt, but not the total debt of the Government, is less than if the Government relied entirely on private borrowing to meet its budget deficit. Such funds may be used actively when the budget is in balance to reduce the privately-held debt, either by not refinancing matured obligations or by purchasing in the open market securities prior to maturity.

If eligible obligations are acquired for investment by the trust fund through purchase on the open market, the amount of the transfers so invested is not available to the Treasury but is paid to the prior owners of the securities acquired. In times of budget deficit this procedure would make it necessary for the Treasury to borrow from private investors the amount which otherwise would have been obtained from the issuance of direct Government obligations at par to the trust fund. In times when the budget is balanced the investment of the trust fund by purchase of securities on the open market reduces the privately-held debt.

INVESTMENTS OF THE FUND

There is an actual physical transfer of these bonds to the trust fund.

As of June 30, 1949, total assets of the trust fund consisted of $11,300,000,000. Of this amount $79,000,000 was held in cash for current disbursements and the remaining $11,200,000,000 was held in the form of United States Government obligations. About $9,000,000,000 consisted of special issues to the trust fund, bearing an interest rate of 2½ percent, and $2,200,000,000 was in bonds purchased in the open market. Tables showing these investments in more detail, and showing the operations of the trust fund during the fiscal year 1949, are attached.

SAFETY OF THE TRUST FUND

There can be no question that United States Government bonds, in which the trust fund is invested, are the safest investments in the world. Investment in United States Government bonds is exactly the same practice which is followed by banks, insurance companies, trustees for workers' pension plans, and other investors for whom safety, plus a reasonable return on investment, is a primary consideration.

It is sometimes charged that investment in Government bonds means that the people will be taxed twice for the social-security benefits they will receive. This "double taxation" fallacy counts payments on the Federal debt as social security costs. Actually these debt payments will have to be made by the Federal Government whether or not there is a trust fund for the insurance program. The Government obligations held by the trust fund represent a part of the Federal debt. If these obligations were not held by the trust fund they, or their equivalent, would be in the hands of private investors. Payment of interest charges on these securities, or the cost of their redemption, does not increase total Federal expenditures on account of the public debt. Receipt of interest by the trust fund, on the other hand, decreases the amount of contributions that will be required in the future to finance benefit payments under the insurance system.

It is true, of course, that the Government will be required to levy taxes to redeem the obligations issued to the trust fund. However, these taxes are not for the purpose of paying social-security benefits. Rather, they are to pay for the costs of the war and its aftermath and the general operating expenses of the Government—that is, the purposes for which the money was originally borrowed. Taxes levied to cover the cost of, say, the war would have to be paid whether the bonds were held by the trust fund or by some bank or insurance company.

In October 1947, the Advisory Council on Social Security, appointed by the Finance Committee of the United States Senate, began a complete investigation of old-age and survivors insurance and other aspects of the existing social-security program for the purpose of assisting the Senate in dealing with legislation relating to social security. The members of the Council, composed of distinguished persons representing employers, employees, insurance companies and the public, submitted a report to the Committee on Finance in April 1948. The Council members were in unanimous agreement that the manner in which the moneys in the trust fund are invested does not involve any misuse of these moneys or endanger the safety of the fund.

The Council's statement is as follows:

"This reserve has been invested in United States Government securities which, in the opinion of the Council, represent the proper form of investment for these

funds. We do not agree with those who criticize this form of investment on the ground that the Government spends for general purposes the money received from the sale of securities to that fund. Actually such investment is as reasonable and proper as is the investment by life-insurance companies of their own reserve funds in Government securities. The fact that the Government uses the proceeds received from the sales of securities to pay the costs of the war and its other expenses is entirely legitimate. It no more implies mishandling of moneys received from the sale of securities to the trust fund than it does of the moneys received from the sale of United States securities to life-insurance companies, banks, or individuals.

"The investment of the old-age and survivors insurance funds in Government securities does not mean that people have been or will be taxed twice for the same benefits, as has been charged. The following example illustrates this point: Suppose some year in the future the outgo under the old-age and survivors insurance system should exceed pay-roll tax receipts by $100,000,000. If there were then $5,000,000,000 of United States 2-percent bonds in the trust fund, they would produce interest amounting to $100,000,000 a year. This interest would, of course, have to be raised by taxation. But suppose there were no bonds in the trust fund. In that event, $100,000,000 to cover the deficit in the old-age and survivors insurance system would have to be raised by taxation; and, in addition, another $100,000,000 would have to be raised by taxation to pay interest on $5,000,000,000 of Government bonds owned by someone else. The bonds would be in other hands, because if the Government had not been able to borrow from the old-age and survivors insurance trust fund, it would have had to borrow the same amount from other sources. In other words, the ownership of the $5,000,000,000 in bonds by the old-age and survivors insurance system would prevent the $100,000,000 from having to be raised twice—quite the opposite from the "double taxation" that has been charged.

"Under present conditions the Government is operating with a budget surplus and is not borrowing. The trustees of the old-age and survivors insurance trust fund, therefore, when they invest the excess income in Government securities, in effect cause Government debt to be transferred from private ownership to the old-age and survivors insurance trust fund. The same saving of the amount of the interest for the general taxpayer will occur in this instance as in the one described above.

"The members of the Advisory Council are in unanimous agreement with the statement of the Advisory Council of 1938 to the effect that the present provisions regarding the investment of the moneys in the old-age and survivors insurance trust fund do not involve any misuse of these moneys or endanger the safety of the funds."

TRUST FUNDS GENERALLY

The Congress has established a number of trust funds for various retirement and welfare purposes. These trust funds are invested in the same manner as the old-age and survivors insurance trust fund. Over $30,000,000,000 of the national debt is now held by these various trust funds. Pertinent data on the most important of these trust funds are as follows:

Fund	Year of establishment	Investments as of June 30, 1949 (in billions)
Civil-service retirement	1920	$3.2
United States Government life insurance	1924	1.3
Old-age and survivors insurance	1935	11.2
Unemployment insurance	1935	8.1
Railroad retirement	1937	1.7
National service life insurance	1940	7.3

The civil-service retirement and disability fund, which includes employees in the executive and legislative branches (including Senators and Congressmen) works much the same as the Federal old-age and survivors insurance trust fund. The civil-service retirement fund is invested in United States bonds. The fund has increased from about $500,000,000 in 1940 to $1,000,000,000 in 1943, $2,000,000,000, in 1946 and $3,000,000,000 in 1949.

Although the investment process for the civil-service retirement fund, the national service life-insurance fund, and the railroad retirement fund are the

same as the old-age and survivors insurance fund, it has never been charged that civil-service employees, veterans, or railroad employees will have to pay twice for their insurance.

Many State and local retirement systems have invested part of their funds in United States bonds. So have private insurance companies. It is not claimed, nor would it be true if it were claimed, that persons contributing to these plans have to pay twice for their insurance.

The following statement is taken from a 1945 report entitled "Social Security" by the social-security committees of American Life Convention, Life Insurance Association of America, and the National Association of Life Underwriters:

"USES OF A RESERVE FUND

"Taxes paid in excess of outgo for old-age and survivors insurance have so far accumulated a reserve fund of about $6,000,000,000, all of which, except for a relatively small amount of cash, has been invested in United States Government bonds. In addition to the present and future levy of pay-roll taxes on workers and their employers, other taxes must be levied in the future in order to pay interest and principal on these bonds. If this is so, 'Why,' it is sometimes asked, 'should pay-roll taxes to create a reserve fund be collected in the first place?' In other words, it is claimed by some that the investment of old-age and survivors insurance receipts in Government bonds is unsound, because the Government spends the money and the only assets the system has to show for it are in effect Treasury I O U's to itself.

"The first step in understanding the problem is to agree that pay-roll taxes are collected so that workers may currently make a contribution to the support of the old-age and survivors insurance system from which they hope later to benefit. The money might conceivably be held in the form of cash to be used when needed. However, the Government must currently borrow large sums, and will later need similar large amounts for refinancing at least some of its rapidly maturing obligations. It is reasonable for the old-age and survivors insurance system, if it has funds available, to take advantage of this opportunity to earn interest on its money by purchasing Government bonds. Moreover, Government bonds held in the old-age and survivors insurance trust fund can be converted into cash. The regular Treasury issues held may be sold directly to the public, and the special Treasury issues which are not negotiable are redeemable by the Treasury which can obtain the money by selling to the public an equivalent amount of its regular securities.

"Furthermore, the apparent double taxation does not involve an avoidable burden if it can be assumed that the excess of income over outgo which creates the reserve fund is used by the Government for some essential purpose, and does not by its existence and availability stimulate unnecessary expenditures. The purchasing of bonds by the old-age and survivors insurance system means that later on, when it needs money in excess of pay-roll tax receipts in order to pay benefits, the interest (raised of course by general taxation) on the bonds will be available to meet the additional benefit load. However, if the bonds had not been bought by the system but were in the hands of the public, then not only would the interest on the bonds have to be raised by general taxation, but additional general taxes would have to be levied to cover the deficit in old-age and survivors insurance operations. Current pay-roll taxation to create a reserve fund therefore makes possible the use of interest, which the Government has to raise by taxation anyway, for a purpose which would otherwise require further general taxation on its own account.

"It is evident, therefore, that the existence of a reserve fund, especially when created under conditions of deficit financing, may tend to lighten the future burden of old-age and survivors insurance on the Federal budget. This analysis is not presented as an argument for a full-reserve plan. Such a plan, while of financial use, is not necessary or even desirable. Its usefulness, furthermore, is predicated on the assumption that it can be protected from political raids intended to divert it to some undeserving purpose such as unwarranted additional benefits. Rather, the analysis is presented to emphasize that the reasons why the full-reserve plan should not be adopted rest, under present conditions, upon other grounds."

TABLE 1.—*Statement of operations on the Federal old-age and survivors insurance trust fund during the fiscal year 1949* [1]

Total assets of the trust fund, June 30, 1948	$10,046,681,157.89
Receipts, fiscal year 1949:	
Appropriations equivalent to contributions collected	1,690,295,704.58
Transfers from general fund	3,279,400.00
Interest and profits on investments	230,194,240.15
Total receipts	1,923,769,344.73
Disbursements, fiscal year 1949:	
Benefit payments	607,036,339.93
Administrative expenses	53,464,875.11
Total disbursements	660,501,215.04
Net addition to trust fund	1,263,268,129.69
Total assets of the trust fund, June 30, 1949	11,309,949,287.58

[1] On the basis of the Daily Statement of the U. S. Treasury.

TABLE 2.—*Assets of Federal old-age and survivors insurance trust fund, by type, at end of fiscal years 1948 and 1949* [1]

	June 30, 1948		June 30, 1949	
	Par value	Principal cost [2]	Par value	Principal cost [2]
Investments: Treasury bonds (public issues):				
2¼-percent bonds of 1959-62	$4,205,000	$4,222,974.87	$4,205,000	$4,222,974.87
2½-percent bonds of 1962-67	58,650,000	58,909,070.33	58,650,000	58,909,070.33
2½-percent bonds of 1963-68	116,480,000	116,777,933.79	116,480,000	116,777,933.79
2½-percent bonds of 1964-69	83,654,000	84,116,525.45	83,654,000	84,116,525.45
2½-percent bonds of 1965-70	455,447,500	[3] 456,062,334.34	455,447,500	456,043,647.54
2½-percent bonds of 1966-71	305,677,500	305,848,805.58	305,677,500	305,848,805.58
2½-percent bonds of 1967-72	1,197,023,250	1,201,841,552.46	1,197,023,250	[4] 1,201,751,208.25
Total Treasury bonds	2,221,137,250	2,227,779,256.82	2,221,137,250	2,227,670,225.81
Special issues: Certificates of indebtedness: 2¼-percent certificates:				
Maturing June 30, 1949	7,709,000,000	7,709,000,000.00		
Maturing June 30, 1950			9,003,000,000	9,003,000,000.00
Total special issues	7,709,000,000	7,709,000,000.00	9,003,000,000	9,003,000,000.00
Total investments	9,930,137,250	9,936,779,256.82	11,224,137,250	11,230,670,225.81
Uninvested balances:				
To credit of fund account		35,014,890.78		12,409,429.90
To credit of disbursing officer		74,887,040.29		66,869,631.87
Total assets		10,046,681,157.89		11,309,949,287.58

[1] On basis of daily statement of the U. S. Treasury.
[2] Gross purchase price less amount paid for accrued interest.
[3] Includes $18,636.90 accrued interest paid on investments.
[4] Includes $6,756.42 accrued interest paid on investments.

Senator KERR. The next witness is Mrs. Myrtle Williams, director, State Department of Social Welfare, Sacramento, Calif.

STATEMENT OF MRS. MYRTLE WILLIAMS, DIRECTOR, STATE DEPARTMENT OF SOCIAL WELFARE, SACRAMENTO, CALIF.

Mrs. WILLIAMS. Mr. Chairman and members of the Senate Finance Committee: My name is Myrtle Williams. I am the director of the

State Department of Social Welfare of the State of California, with offices in Sacramento.

Inasmuch as your honorable body is now holding hearings on H. R. 6000, I wish to propose amendments to the public assistance part of the Social Security Act now titles I, IV, and X.

The public assistance part of the Social Security Act is restrictive and is in great need of clarification by liberal amendments and the establishment of standards as to the qualifications of recipients and a new standard of maximum payments should be set by Congress, adjusted to present-day conditions.

I propose:

1. That title I be amended to increase the present ceiling on payments to $75 per month and that it include a graduated matching from 50 percent to 75 percent according to the per capita income of the State. This means that the Federal Government will match any State to whatever amount it may desire to give those receiving old-age and blind assistance, and the States whose per capita income is lowest will receive three Federal dollars to the State's one dollar.

The result of this amendment will encourage uniform higher grants for those on old age and blind assistance throughout the entire Nation.

2. Our present payment of pensions in California to those 63 years of age and older has shown the desirability of Federal matching of the payments at that age.

3. A recipient of old age and blind assistance should be permitted to have outside income and/or resources of a value of $30 a month over and above their pension grant of $75 per month. Should their income be greater it can be deducted from their combined income unless their needs are greater than this combined total. This would permit a recipient to have a small outside income or resources such as free rent, ownership of home, old age benefits or veterans' widows' pension up to the amount of $30 without having the entire amount deducted from their grant as our Federal assistance laws require today. This amendment will also encourage the recipients to be profitably engaged in minor pursuits such as mowing of lawns, washing windows, housework, care of children, and so forth. It will also tend to take up the slack in the Social Security Act dealing in old age and survivors' benefits where the monthly payments are insufficient to take care of the needs of the beneficiary.

4. A provision should be made for Federal funds for hospitalization, medical and health services with choice of recognized practitioner retained by the recipient. Under the present law while medical needs are recognized as essential communities have had to assume the entire burden of hospitalization and medical expense to the detriment of both the recipient and the community taxpayer. The majority of recipients are deprived of minor health needs under the present lack of Federal participation.

5. I do not believe that the present 5 years State maximum residence requirement called for under the Social Security Act for those on old-age and blind assistance should be decreased until an opportunity has been given to all of the States under these amendments to increase the amount of their grants to a greater uniformity among the States.

6. A provision should be added to the Federal assistance laws that no condition of aid to the aged and blind shall require enforced con-

tributions from their children or other relatives. Those who apply for old-age and blind assistance should be able to receive it upon their own qualification of need. Such a provision if adopted will not prohibit children from contributing to their parents' support if they are able to do so on moral grounds. "Support your relatives" or "responsible relatives" clauses are in common use in most States although they are not a Federal requirement. They are used as an excuse to deny aid; where a responsible relative scale is used the cost of collection often exceeds the amount collected. There is considerable resentment upon the part of the needy and aged and blind against this obnoxious law as it has caused a great deal of misunderstanding and hard feeling within families in addition to resulting in many broken homes. In California where this law was repealed it has cut down the expense of case work considerably.

7. In our State, recent experience proves the desirability of Federal and State administration. Only by State administration can there be complete uniformity and impartial handling of all cases, at the lowest possible administrative cost.

8. Only by Federal law establishing "need" can there be uniformity throughout the 48 States. Pensioners should be permitted to have their own home, household furnishings and at least $1,500 personal property. They should not be required to transfer to the State title to any property owned by applicant or recipient as a condition to receiving such aid.

CHILD WELFARE

The present ceiling of Federal contributions to the States for aid to needy children should be raised and the qualifications liberalized to meet existing economic conditions.

GENERAL RELIEF

The States' present programs for direct relief, commonly known as charity are inadequate inasmuch as the entire burden is assumed by the local communities. Therefore, I recommend a new title to the present public assistance program under the Social Security Act to deal with public relief without requirement as to residence for such aid. Federal participation in direct relief will assure that no one in need in this country shall be deprived of the necessities of life.

SURPLUS FOOD COMMODITIES

In the San Joaquin Valley of California 28 children recently starved to death—the doctors described it as malnutrition. These were the children of migratory workers—at any rate they were children, even as yours and mine.

With warehouses bulging with surplus food commodities purchased and already paid for by the Government from farmers to uphold prices it seems almost unbelievable that this surplus food cannot be distributed among all classes of needy people including migratory workers. Certainly some practical means of preventing repetition of such a tragedy in our land of plenty can be included in our law.

In summary, permit me to say that if H. R. 6000 will be amended to include the suggestions that I have made, it is my humble opinion

that it will go a long way toward solving the social-security and public-assistance problems now facing our country.

Senator KERR. Thank you, Mrs. Williams.

Mrs. WILLIAMS. Thank you, Mr. Chairman, for this opportunity to submit my statement.

Senator KERR. I have a statement of Mr. Ben Koenig, chairman of the California Social Welfare Board. Without objection it will be inserted in the record at this point.

(The statement is as follows:)

STATEMENT OF BEN KOENIG, CHAIRMAN OF THE SOCIAL WELFARE BOARD, STATE OF CALIFORNIA, HOLLYWOOD, CALIF.

Mr. Chairman and members of the Senate Finance Committee, my name is Ben Koenig. I am the chairman of a group of seven men and women appointed by the Governor of California to serve as the California State Social Welfare Board. This board has the power and duty to adopt, promulgate, repeal, and amend rules and regulations consistent with the law for the administration of welfare in California. It also advises the director in the performance of his duties, and formulates general policies affecting the purposes, responsibilities, and jurisdiction of the State department of social welfare. The statement of Mrs. Myrtle Williams does not represent the views of the governing body of that department, the social welfare board. Mrs. Williams will be separated from the department February 28, 1950, by virtue of article XXVII, which was passed by the people of California in general election, November 8, 1949.

In order to acquaint you with the size of the problem in California, I am outlining below our case load and expenditure items for the month of December 1949 for those programs in which the Federal Government participates:

Program	Recipients	Total expenditures	Average grant
Old-age security	272,706	$19,291,953	$70.74
Security for the blind	9,303	768,172	82.57
Aid to needy children	85,626	4,314,517	50.39

1. OLD-AGE AND SURVIVORS INSURANCE

In view of the above figures, and also because it is sound social policy, we believe that extending the coverage and increasing the benefits of old-age and survivors insurance program is in order. We are very much interested in the objective of reducing the assistance categories so that eventually the OASI program will provide adequate coverage for the needs of the people. It is of significance to note that the State of California, even with a proportionately large number of agricultural workers not included in Social Security Act, finds it necessary to supplement with assistance one-fourth of the retired old age and survivors insurance beneficiaries.

2. OLD-AGE SECURITY

The provision of H. R. 6000 with reference to Federal sharing does not increase to any appreciable extent the amount of Federal money to be granted to California. This is true because 95 percent of the recipients in California receive in excess of $50 per month. Therefore, California will receive only a small benefit from this change.

There is no doubt that increased Federal sharing will result in higher payments in those States with low grants. We believe that this may discourage interstate migration for relief benefits.

3. MEDICAL CARE

Present provisions of H. R. 6000 relating to medical-care payments will not benefit most of the recipients of California because 95 percent of California's recipient receive in excess of the $50 Federal sharing base. We think that the bill should be amended to provide for Federal participation in a fixed sum for such

medical care, such sum to be in addition to the grant to the individual. We would concur with your Advisory Council's recommendation that 50 percent of Federal reimbursement of the cost of medical assistance should be furnished to recipients in an amount not to exceed $6 a month times the adult case load, and $3 a month times the total number of children receiving assistance.

We believe that the provisions relative to payments to persons confined in public medical institutions will enable the public institutional facilities to provide more adequate custodial care to those in need. In addition, it may encourage the public agencies to enlarge their facilities to meet the needs of California's increased population. For many years, California, has licensed private institutions caring for aged persons, and therefore the inclusion of public institutions within a similar licensing requirement would be an advantage in that both public and private institutions would have to maintain the same minimum standards of care.

4. AID TO THE BLIND

The proposed Federal sharing formula under the aid-to-the-blind program, would not have a material effect on the amount of Federal moneys being paid to the State of California, because only 2 percent of our blind recipients have grants which are less than the Federal sharing base of $50.

The allowance of a $50 per month earned income to aid to blind recipients for the primary purpose of rehabilitation is in our opinion progressive legislation. The State of California for the past 9 years has operated a State and county financed program for blind persons permitting an exempt earned income of $800 per year. At the present time we have almost 600 persons receiving assistance under this State program and working out their plan of rehabilitation toward the goal of self-support. Our experience shows that such an earned income exemption provision encourages blind persons to more adequately assume their rightful place in the community.

5. AID TO THE PERMANENTLY AND TOTALLY DISABLED

The inclusion of a new category, "Aid to the permanently and totally disabled," is recommended with the suggestion that a more workable definition be adopted. Our experience in California under the aid to needy children's program which provided that the parent be totally and permanently disabled before qualifying for aid proved to be very difficult to administer. One of the basic reasons for this was that the medical profession was hesitant to make a prognosis that the individual was "permanently and totally disabled." If a strict and literal definition is adopted, the number of cases to be benefited under this category would be very limited. In 1949 our State legislature changed the aid to needy children law and eliminated the requirement of such a definition of permanently and totally disabled. We recommend that this category of assistance apply to disabled individuals, leaving to the States to determine the degree of disability required for eligibility to aid.

6. AID TO DEPENDENT CHILDREN

The inclusion in the aid to dependent children's law of the mother or other relative caring for the child as a part of Federal sharing of the cost of assistance is a realistic approach in maintaining the family unit. In California, we allow twice as much for the first child as we do for the second and additional children, which in effect helps to provide maintenance for the mother or other relative caring for the child. We are very hopeful that Congress will give recognition to the need for sharing in the cost of food, housing, and other necessities needed by the caretaker of the children.

The provision in the aid to dependent children's law with reference notifying appropriate law-enforcement officers when children have been deserted or abandoned is difficult to administer and results in disruption of family relationships. This is particularly true when such referrals are made as a routine matter. For a number of years California had such a provision in its law as an eligibility requirement until the legislature repealed the section in 1945. It was found that results were so negligible in a large number of cases that law-enforcement officers were reluctant to initiate action. This State now pursues the policy of referring on a selective basis where legal action appears to be justified and may result in some benefit to the recipient. It is because of our experience that we recommend that H. R. 6000 be amended to provide that the referral to law-enforcement officers be on a selective instead of a mandatory routine basis.

7. CHILD WELFARE SERVICES

The present Federal allotment to California for child-welfare services is used in its entirety and is augmented by State and county funds. We, however, still have many more requests to assist local welfare departments in financing local child-welfare programs than can be granted from available funds. We believe that an increased Federal appropriation will help prevent the break-up of homes, will strengthen family life, and will lessen juvenile delinquency. This can be done by providing skilled case work services, and developing child-welfare programs in rural communities where such resources are now lacking and cannot be provided without Federal assistance. We, therefore, warmly endorse the increased allotment for Child Welfare Services made available by H. R. 6000.

I wish to thank the committee for giving me the opportunity for presenting this statement to you on behalf of the Social Welfare Board of the State of California.

Senator KERR. Mr. E. S. Hall.

STATEMENT OF EDWIN S. HALL, FARMINGTON, CONN.

Mr. HALL. Mr. Chairman, I can save time if I stick rather closely to the text of my statement.

Senator KERR. You have that privilege.

Mr. HALL. Most of you know my name: Edwin S. Hall, Connecticut Yankee. Our branch of the Hall line sought freedom from England in Salem, Mass., in 1632. My great uncle, Timothy Hall, M. D., of East Hartford, was a surgeon in General Washington's army. My father, Edwin C. M., M. D., was a homeopathic physician, the wisest man I ever knew. At Yale, class of 1880, he learned economics from William Graham Summer, and taught me the virtues of private enterprise and "tariff for revenue only," before I could read. His mother's father was Cesar Malan, genius extraordinary, the free preacher of Switzerland.

My mother's people arrived at Fair Haven, Conn., from England on the first boat, about 1640, and intermarried with the natives. I am an American, educated in the public schools of New Haven, with degrees from Yale and the University of Colorado—mechanic, machinist, pattern maker, draftsman, jack of all trades and master of many, at home in the shop or in the front office, research engineer and registered patent attorney.

Why should a research engineer be trying to show you how to write social security law? Because the right answer to the social security problem is easy, but you have been so busy and overburdened doing it the hard way that you have not had time to see the right answer. The left answer to this and other problems of capitalism is the wrong answer. The wrong answer is full of trouble, laborious, requires ever more legislation "to extend and improve" it. H. R. 6000 is a notorious example.

The right answer is easy, its burden is light, but it is possible only as part of the right answer to the basic problems of capitalism. Eighteen years ago, my Diesel engine research interrupted by the depression, I undertook the most necessary research of all: to find and get the "bugs" out of the economic machine. "Boom and bust", unemployment, big bureaucracy, inflation by deficit spending, high prices, strikes, high taxes: these are only symptoms of socialization, the malignant disease that betrays freedom, that has ruined every nation and every civilization since the world began. Bread and the circus (social security) ruined Rome. Socialism is killing British freedom and prevents the recovery of Europe. In Russia, freedom has

long since been liquidated. In China, the Nationalist Government is on the run from communism. In America, business and our free way of life are on the run—blasted by the same storm, and for the same reason—sick unto death with the same disease. There are no panaceas. Laws which suppress the symptoms only complicate and aggravate the disease. The only hope of curing our sickness is to remove its cause.

The faults of capitalism are the cause of socialization. Capitalism, the natural free-market business system, grew up from feudalism in conformity with five of the seven natural laws of economics (the laws of human action in regard to wealth), by trying to break the other two, the laws of freedom and honesty. But natural laws are unbreakable. Trying always to break two of the seven, made so much trouble that the people cried out, and invented 57 varieties of socialism. But socialism is a heavenly system, unworkable here below. It tries to break all seven of the economic laws, and turns out to be three-and-a-half times worse than capitalism.

For the seven laws of economics, see: Today's Sermon at Valley Forge, awarded a medal by Freedoms Foundation. It will be published shortly in Life, if you, every one of you, will write to Henry Luce and ask him to publish it now. The demand for that sermon is fantastic. Vladimir Petrov who wrote Soviet Gold has begged for a copy to translate into Russian.

We cannot break natural laws. We cannot repeal them. When we legislate against them, we get results opposite to those we planned, but the results are contradictory, and require ever more legislation "to extend and improve" the contradictions—complications, complexities, confusion confounded. Congress, knowing only the left answer, is overworked, legislating America into socialized hell. Most of your burdens are worse than useless. It is better to do nothing than to do the wrong thing. Stop, think, understand that there is a right answer, to wit: Correct the two faults of capitalism. Design the economic machine to conform to all seven of the economic laws. Remove the cause of the disease. Then the symptoms would all disappear. Economic health would return to us, to stay. American prosperity would shine with a light so bright as to burn a hole in every iron curtain, a cutting torch, a lighthouse guiding mankind on the honest road to economic freedom.

And social security? We can have it, the right of every American to know that if hard luck should strike, social security benefits would keep the wolf away from his door. The security of knowing that, whatever your previous condition of servitude, military or other, you could receive adequate social security benefits whenever you may be in need and unable to earn enough to support and care for yourself and your dependents by reason of accident, disease, the care of children, the infirmities of age, job obsolescence or involuntary unemployment. That is social security. There is magic in it—and millions of votes.

But there is no social security in H. R. 6000. Chapter 9 of the code is not social security; it is a socialized nightmare, misconceived by hypocrisy out of delusion. The only honest thing about it is its title, "Employment taxes." In the beginning of H. R. 6000, it was proposed to delete even that bit of honesty by substituting the word "contributions." H. R. 6000 is a bill to cover some of the self-

employed with employment taxes, and for other purposes. It is not a bill to extend and improve social security. You cannot extend and improve a rotten egg.

The concept of social security as an insurance system is a phony, not even constitutional. Insurance is a business, properly handled by private enterprise, not by Government. It is not the duty, it is not the right, of Government to compel its citizens to buy inadequate insurance. If an American citizen wants to buy an annuity, he is still free to do so, and he can choose from a number of reliable insurance companies. The free competition between them assures him that he will receive, in full, the best possible return for his premiums. But there is no such assurance when the insurance is compulsory and handled by a political monopoly, the biggest and worst monopoly of all, whose trustees can, and do, waste and dissipate the trust funds in a way which would land the trustee of a private insurance company in the penitentiary.

Our old age and survivors' insurance system is a fraud. H. R. 6000 would extend and improve a fraud. It would cover some more, who are not employees, with employment taxes—not with benefits—200 pages of double-talk, "quarters of coverage," "primary insurance amount," "base amount," "average monthly wage," "self-employment income," "continuation factor years," "recomputation of benefits." And a three-page definition of "employee," printed twice, two of the four sections of which begin with the profound observation that "an employee is one who has the status of an employee * * *."

No two out of five Philadelphia lawyers could figure your benefits under this amazing piece of socialized lunacy and come up with the same answer. Yet this bill is the product of 8 months of hard labor by the Committee on Ways and Means, egged on by the unregistered lobbyists from the Social Security Agency who invited themselves into the executive sessions of the committee, all working madly and with the best of intentions to give some more voters some more of nothing for something. Social security? None. Hell is paved with good intentions.

The contributory principle in social security is wrong, wasteful, expensive to administer, not even workable. The assistance part of the program already tends to run ahead of it in many States. There must be a better way. We, as a people, do not like to see hunger and misery in our midst. We are willing, as a society, to take care of the unfortunate. We all pay taxes; let's take care of all needy citizens. That is genuine social security. How can we do it efficiently, at lowest cost to the taxpayers?

The right answer to this social security problem would be easy, starting from scratch; it is impossible under the Internal Revenue Code. What is wrong with the code? It is the most sinister Communist conspiracy in America today.

In the Communist Manifesto, Karl Marx said:

> These 10 measures will be pretty generally applicable to bring about the abolition of private property—

in other words, the destruction of freedom. And we, in free America, use 8 of his 10 commandments of communism in our Federal tax system. For details, see my forthcoming book, the Honest Road to Economic Freedom, chapter V, Karl Marx has his Hand in Your Pocket.

We are taxing private enterprise out of business—unnecessarily. We could collect the revenue more easily by the simple tax system recommended by Adam Smith in the Wealth of Nations. Here's his tax philosophy, condensed:

The people should be taxed in proportion to their incomes, at the time and in the manner most convenient for them. The amount, time, and manner of payment ought to be clear and plain to all without need of experts. The tax should not require a great army of officers whose salaries would eat up the greater part of the revenues; nor should it obstruct the industry of the people; nor discourage business from employing the multitudes; nor set up temptations to evade, with ruinous penalties for evasion; nor require frequent, odious, oppressive, or vexatious examinations by tax gatherers.

Let us pray (from the Book of Common Prayer):

Almighty and most merciful Father, we have erred and strayed from Thy ways like lost sheep. We have left undone those things which we ought to have done, and we have done those things which we ought not to have done; and there is no health in us. But Thou, O Lord, have mercy upon us, miserable offenders. Spare Thou those, O God, who confess their faults; and restore Thou those who are penitent.

Time for us, in America, to be humbly penitent. The Prosperity Revenue Act, H. R. 6453, would repeal the Karl Marx tax laws, and leave the code clean and brief as though written by Adam Smith. Chapter 3, on social security, has been recently rewritten, to include more detail of the right answer to your social-security problem.

May I read, briefly, the essential features of this bill, with especial reference to chapter 3, which sets up an honest and adequate social-security system?

Here is a bill with a preamble so outstanding as to make most people think it is a joke. It is not.

To equalize taxes; to provide adequate social-security benefits for all American citizens; to solve both the wage problem and the pension problem; to untax private enterprise and thus stimulate efficient production and full employment; to cut the hidden sales taxes out of prices and reduce the high cost of living; to provide incentive pay for Government employees to raise the efficiency and reduce the cost of Government; to collect enough revenue to balance the budget, retire the national debt, and in due course revalue the dollar; to make the tax rate automatically adjustable to stabilize our economy on a rising standard of living; and to correct the two basic faults of capitalism, remove the cause of socialization, and achieve honest and general economic freedom.

This act may be cited as the "Prosperity Revenue Act."

The following chapters of the Internal Revenue Code are hereby repealed and replaced as indicated in the following table of contents:

I need not read the table, but it repeals 95 percent of the Code, about 800,000 words, and sets up in less than 5,000 words, four new chapters, an adequate tax system.

Chapter 1, definitions. In 25 definitions it defines a free and honest economy, one that would operate without any strikes, without any depressions, because it corrects the two basic faults of capitalism which cause all this trouble.

May I read some of the more important definitions, especially:

Money: The common capital asset; the accepted medium of exchange, in currency or credit; a measure of value and a convenient means for storing wealth.

Life: The personal and primary capital asset, more valuable than money. Life as capital is the summation between birth and death of skill with respect to time.

Common ownership: The exclusive rights and responsibilities of possession of material assets—property—which derive from the investment or equivalent.

Personal ownership: The exclusive rights and responsibilities of possession of living assets—the person as part of a business or Government organization—which derive from the investment of life.

That is what we have forgotten.

Price: The amount of money some of us will take for an item of goods or services—work done—and others of us are willing and able to pay for it.

Wages: The price of the work done—a commodity—sold to an employer by an employee; payment given by an employer to one or more employees for personal services performed. The term "wages" includes both wages and salaries.

Note: Wages, the price of work done, are properly determined and adjusted, like any other price, by supply and demand by competition in a free labor market. In a given business or Government organization, therefore, to insure a free market, every employee shall have the right to know the wages of every other employee. The self-employed shall predetermine their own wages, and their wages shall be known to their other employees, if any. Wages, including the wages of the self-employed, are a business expense.

Fees: The contract price of work done by a contractor or professional individual or the like. Fees are not wages. Fees are charged by and paid to an independent or separate business.

Employee: A person working——

Here is a definition in a few lines that makes sense. I didn't take three pages to do it.

A person working for wages, a person working as part of a business or Government organization, not as a separate business, a person who sells work done, a commodity, for wages, and at the same time invests part of his life in a business or Government organization and thereby owns himself as part of the living assets thereof, a personal owner.

Contractor: A separate business, an individual or group of persons working for fees, a person or group working under contract with another business or Government organization.

The relationship, whether employment or contract, shall be agreed upon by the parties thereto before the accounting begins. Any free person may decide whether to work as an employee or as an independent contractor with respect to any business, but the employer shall not require and shall not hold that any group of employees assumes the position of contractor. In any business or Government organization, both management and labor shall be considered employees, personal owners of themselves as the human assets, the business or Government organization in which they work.

Then I define "business income," "business expense," and "profit." Do we know what profit is today? We do not, most of us. We need a definition of it.

Profit: The net new wealth in goods and services produced by the business during a period of time. The excess of business income over business expense. The gain from operating the business.

In other words, profit is the stuff we all want more of. How can there be any excess profit. How can we ever have too much of what we all want more of. It is impossible.

But there you come to this point. In The Wealth of Nations Adam Smith made two appalling mistakes in his basic economics, and one of his mistakes became the cornerstone of socialistic thinking, and the other one the cornerstone of capitalistic economics. I would be glad at any time, if you like, to go into that further, but we have had these two systems, each founded on a fallacy, neither one of them perfect, but capitalism much the better of the two because it only tried to break two of the seven laws instead of all seven of them.

Now chapter 2, Income Tax. Business is tax-exempt. Every business and Government organization is exempt from income taxation under this bill, by using trustee's accounting. What is the

trustee's accounting? That is specified. Every business and Government organization shall keep its accounts like those of a trustee to show these six things: The current dollar value of the money capital invested, the preceding year's pay roll, the items of business income, the items of business expense, the profit or loss for the year, and the distribution of said profit or loss for the year to the accounts of the common owners as measured by the current dollar value of the money invested and to the accounts of the personal owners as measured by the preceding year's pay roll.

They have to make that distribution before taxes, too.

Then there is detail in regard to how to set up your accounts like those of a trustee, and that detail was provided in this bill at the request of Bradford Smith, the economist to the United States Steel Corp.

Skip over to section 203, Business Growth.

The business may retain—that is, plow back—as an additional investment as much as it pleases from profits for current growth and for reasonable working capital, and shall issue new securities of suitable nature to represent the corresponding increase of capital assets if it uses securities, provided that enough of the profits be left in cash to cover the personal-income-tax liability on the whole profit.

The distribution of profit—

this is important—

after business expense, the business shall distribute the year's profit or loss before taxes to the accounts of the common and personal owners, the dividend spread over the money invested and the preceding year's pay roll, as the measure of the life invested. The business may plow back profits for growth, but shall distribute the year's profits in full before taxes to the common and personal owners of the material and human assets of the business, respectively, the dividend payable partly in cash and partly in new common ownership taxable as part of personal income equivalent to the amount of money retained or plowed back into the business for current growth.

In a nonprofit or Government organization, the profit, that is, the unspent portion of the appropriation, shall be distributed in a dividend one-half returned to the source of the appropriation and one-half spread over the year's pay roll of the organization in amounts up to but not exceeding 50 percent of that pay roll. The balance of the profit, if any, shall be returned to the source of the appropriation.

That paragraph alone will do more than the Hoover Commission ever could to load the trains out of Washington.

I might say here that Mr. Coats, of the United States Employment Service, 3 years ago told me, "Mr. Hall, do you know what you have got?"

I said, "Yes; I have a good idea, but I am not sure that I understand it."

He said, "I will say you have. If you could put that over, 75 percent of the Department of Labor could go home. I wouldn't care. I could make more money in business if business were that good."

That is the solution of the problem of the Hoover Commission, to get our Government employees to want to go home because they can make more money at home.

Collection of income tax at the source. We have a Government and we have to support it, and no tax bill is worth anything if it doesn't show how to get the revenue.

Every business and Government organization shall withhold from all payments made to persons as consumers the single national rate income tax on gross personal income at the flat rate currently in effect.

The flat rate of the tax rate applicable on gross personal income shall not exceed 25 percent, this being approximately the point of diminishing returns. If you raise it higher than that, you have taken away the incentive and you don't get the people to produce.

For the fiscal and calendar years ending during the Government fiscal year 1950, it starts out at 20 percent. It has to start at the 20 percent rate, and that will collect about $42 billion. Annually thereafter if the general price level has risen during the preceding year, the tax rate shall be raising a corresponding amount to reduce the debt at a faster rate. If the general price level has fallen during the preceding year, the tax rate shall be lowered a corresponding amount, but always with the intent of maintaining a balanced budget with a desirable rate of retirement of the national debt and a stable economy with a steadily rising standard of living.

I am sorry I had to go into this background for the social security chapter, but the social security chapter is not understandable without a little general tax background.

CHAPTER 3. SOCIAL SECURITY

SEC. 301. Organization and State participation. To place social security on a sound and current basis, chapter 9 of the Internal Revenue Code, together with all amendments, extensions, revisions, and alleged improvements heretofore made with respect thereto, is hereby repealed and replaced by this new chapter 3, effective July 1, 1950.

The funds previously collected and not disbursed by the Federal Government under chapter 9 shall accrue to the Treasury of the United States. The funds previously collected or transferred to the said several States and not disbursed by them shall accrue to the said several States. The individual social security and unemployment accounts, by whatever name, shall be forthwith terminated and canceled without recourse, in view of the honest intent of this chapter 3 to provide more social-security benefits to every needy citizen than he could hope to obtain from his previous individual account.

It is recommended that the several States, in order to participate in the benefits of social security after July 1, 1950, should repeal and/or revise their State tax and benefit laws, prior to that date if possible, to correspond hereto, as follows:

(1) That each State repeal all State taxes on business including any and all taxes on business income, State sales taxes, and State excise taxes (excepting only the taxes on those products over which some degree of social control is desirable). This action should parallel that of section 2 hereof.

(2) That each State solve its revenue problem by enacting a flat-rate tax on gross personal income, collected by business and Government organizations (themselves tax-exempt) by making a flat-rate withholding from all payments made to individual persons as consumers, as specified in chapter 2 hereof, the rate to be added to the flat rate of chapter 2 hereof and the tax to be collected at the same time and in the same manner, with the minimum amount of accounting and paper work.

(3) That each State revise its corporation laws as may be needed in recognition of the personal ownership of the employee and the use of trustee's accounting, as specified in chapter 2 hereof.

(4) That each State revise its social-security, unemployment, and old-age assistance laws to correspond hereto.

(5) That the social-security benefits (sec. 305 hereof) shall be paid from the Federal and State Treasuries, respectively, in the same proportion which the flat rate of the Federal income tax bears to the flat rate of the State income tax at the time of payment, provided that no social-security benefits shall be payable to the citizens of any State until after said State shall have repealed and revised its tax and business laws as hereinbefore specified.

SEC. 302. Social Security Agency. The Social Security Agency shall be, and is hereby ordered to be, reorganized and, for the most part, decentralized, and set up with at least one office in each congressional district, with the use of local personnel to the utmost. The cost of setting up and operating the offices in each State shall be borne by said State. The funds for operating the State offices and

for paying the portion of the benefits from the State treasuries, shall be appropriated by each of the said several States as part of its budget for each year. The appropriation for the State social-security offices shall be considered "income" of those offices, as specified in chapter 2, section 202 (6) (a) hereof; and the unspent portion of that appropriation at the end of the year shall be considered "profit," and disposed of as specified in chapter 2, section 201 (a) hereof.

The local offices of the Social Security Agency shall handle no Federal funds. Federal benefit checks shall be sent directly to recipients in amounts designated by the local offices, from the Federal or central office of the Social Security Agency, from a benefit appropriation made by Congress as part of the budget for each year.

SEC. 303. Eligibility: Every American citizen, by right of having paid taxes, may apply for social-security benefits at the nearest office of the Social Security Agency; and upon proper showing and within 30 days shall receive adequate benefits (sec. 304) for the entire or partial support of himself or his dependents, directly from the Treasuries of the United States and the State in which he is a citizen: *Provided*, That every recipient of benefits shall voluntarily relinquish the right to vote while receiving benefits or during any temporary suspension of benefits, and at the election next succeeding the termination of such benefits.

Benefits shall be payable upon proof of inability to earn a living for the support of the person or dependents involved, by reason of accident, disease, the care of children, the infirmities of age, job obsolescence while in training for a new job, and involuntary unemployment while sincerely seeking and willing to accept employment at any wage higher than the social-security benefits.

In judging disability, the local offices shall use the services of two competent and independent local physicians who shall state the nature, extent, and probable duration of the disability, on forms furnished by the Social Security Agency. Disability claimants shall be reexamined periodically as indicated by the prognosis. In judging need and determining the amount of the benefits, the local offices shall respect the right of the individual person to benefits by reason of having paid taxes in the past and his willingness to relinquish the right to vote while receiving benefits; shall use local sources of information to support the individual's showing of need for help in the entire or partial support of himself or his dependents, and shall cooperate with the United States and State employment agencies in a bona fide effort to return the individual person to self-support.

SEC. 304. Benefits. The amount of the monthly benefits payable to each applicant shall be determined by the one local office to which application is made; shall be adjusted according to local conditions and the need of the individual applicant for additional income to support himself and/or his dependents; and shall represent (when added to whatever pension or other income the person may have, if any) the minimum necessary to maintain good nutrition, clothing, and shelter for the individual person and his dependents, on the standard of living to which they are accustomed. No pauper's oath is required, and no means test; it is not the intent of this chapter to require any citizen to sacrifice his possessions entirely before applying for help.

The monthly benefit from the Federal Treasury shall not exceed $100 for each person.

A monthly check shall be mailed to each recipient, as designated by the local office, directly from the Federal Social Security Agency; and a monthly benefit check shall be made out by the particular local office, to be called for at the local office or otherwise, as determined by the local office. The amount of the monthly Federal check and the amount of the monthly State check shall be in the same proportion as the flat rate of the Federal income tax is to the flat rate of the State income tax, subject to the proviso of section 301 (5) hereof. The sum of the two monthly benefits, from the Federal and State treasuries respectively, shall not exceed $150 for any person, provided the limits of this section shall be raised or lowered by Congress as may be necessary by further changes in the value of the dollar and the cost of living.

Any person who accepts social-security benefits obtained by a fraudulent showing of need, or from more than one local office, or on more than one application, shall be penalized by the loss of all future rights to benefits and by a fine of $1,000 or imprisonment for one to five years, or both.

Chapter 4 really doesn't belong in this bill, but I think it is a necessary expedient in order to recover and maintain full employment.

To encourage money to stay in circulation rather than to collect any revenue, every person or business controlling an average monthly cash balance in excess

of $1,000 shall pay 5 per centum of said average monthly cash balance for each turn-over less than four for the preceding year.

This is C. William Hazlitt's incentive taxation. Its only purpose is to keep money in circulation, to keep it invested.

I would request that this version of the Prosperity Revenue Act be introduced in the Senate within the next day or two. We are going to reintroduce it in the House in this enlarged version.

I know that we cannot expect Congress to do this constructive thing, to turn our economy back from socialism toward freedom, without generating a terrific public turmoil. We are faced with the necessity of doing a fast job of public education. When I came to that conclusion—after 4 years here I am pretty nearly driven to it—I went to see Millard Rice, who has been running the prize contest for the Disabled American Veterans. I said, "Millard, give me the figures on your contest."

He said, "All right. We spent $250,000 in that national advertising this year." This was some time ago. "We brought in 315,000 entries, we grossed between two and three million dollars and cleared a million dollars for the Disabled American Veterans Foundation."

I said, "Do you consider that I have the makings of a contest in this Prosperity Revenue Act?"

He said, "You certainly have, and I will help you set it up." He has helped me set it up. We haven't got it all right yet, but we are going officially to announce it in about 2 weeks. We have set up the All-American Foundation, Inc., to sponsor it, and we are going to hit the newspapers with it, adequately financed. It will bring in on Congress, if our estimates are correct, judging from the experience, a million requests for copies of this bill, between three and ten million letters demanding that this bill be passed.

Need I say more?

Senator KERR. Not unless you want to.

Mr. HALL. I thank you very much.

Senator KERR. All right, Mr. Hall. We thank you.

We will recess until 10 o'clock in the morning.

(Whereupon, at 4:10 p. m., the committee recessed until 10 a. m., Wednesday, February 1, 1950.)

SOCIAL SECURITY REVISION

WEDNESDAY, FEBRUARY 1, 1950

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

The committee met at 10 a. m., pursuant to recess, in Room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Byrd, Johnson of Colorado, Kerr, Butler, and Brewster.

Also present: Mrs. Elizabeth B. Springer, Acting Chief Clerk; and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will come to order, please.

Mr. Ehinger? Mr. George Ehinger?

General TAYLOR (Gen. John Thomas Taylor, legislative consultant, the American Legion). Good morning, Mr. Chairman.

I want to present to you, and through you to the committee, Mr. George Ehinger, who will speak to the committee on H. R. 6000, which has passed the House.

As you know, we have certain resolutions, certain suggestions to make on it, and Mr. Ehinger is going to speak for the Legion on the whole subject matter. He will put his brief in the record and just make a few remarks.

The CHAIRMAN. Very well, Mr. Ehinger. You may be seated, if you wish. I expect some other Senators to come in, but all of the Republican members are in conference this morning. They will, of course, read the record even though they are not here for this morning's hearing.

You may proceed. You can identify yourself to the reporter for the record.

STATEMENT OF GEORGE EHINGER, DOVER, DEL., NATIONAL EXECUTIVE COMMITTEEMAN OF DEL., THE AMERICAN LEGION

Mr. EHINGER. I am George Ehinger, member of the American Legion, member of the national executive committee, and I am speaking on the House bill, H. R. 6000, as a member of the national child welfare commission of the Legion. In that capacity I shall touch on those features of H. R. 6000 which pertain to or affect children.

You probably know that one of the primary purposes of the American Legion is to give service to the disabled veterans of both world wars and their dependents; and out of that broad program of service has developed an interest in the child-welfare program.

It might be of interest to you to know that today half of the children of the United States are the children of veterans, so that the veterans have a really important stake in whatever affects children.

I might say that while we are primarily concerned with the welfare of children of veterans, we have a real interest in all children, knowing full well that if we can raise the level of welfare of all children we shall inevitably, of course, help the children of veterans.

Now, the position of the American Legion so far as some of the features in House bill H. R. 6000 are concerned is outlined in a series of resolutions, the resolving clauses of which are in the prepared testimony which has been presented to the various members of this committee. I should like to just talk briefly on several of those, that are based on our resolutions.

One of the reasons why the American Legion has been interested in this program for years is because in many instances the aid given to children and families has been inadequate, that aid coming from public and private sources. And one of those inadequacies has to do with survivors benefits paid to children.

Under the present law, the law now in effect, children receive survivors benefits to the extent of about $13 per month, or a little over $150 a year. We maintain that that is highly inadequate to meet present-day costs of living. However, in this proposed bill, that will be materially helped by raising the primary base of the wage earner and at the same time increasing the percentage that will be given to a single child from one-half to three-fourths of that primary base. We feel that that increase and that change in the law will be of material benefit to the children of our country.

I would like to talk to you for a moment about social-security credits for veterans of World War II. The provisions of H. R. 6000 satisfy in part the resolution of the national organization of the American Legion, passed at three distinct conventions, 1947, 1948, and 1949, in regard to establishing social-security credits for veterans who served in World War II. As you probably know, a veteran who was covered prior to entering the service in World War II lost that coverage while he was in the service. He not only lost that coverage, but he was in danger of losing whatever coverage he might have had prior to his entry into the service.

Of course, that should have been taken care of, probably, at the time of the passage of the Selective Service Act, or the Civil Relief Act, or even the GI bill, but it was not. This bill, however, provides for taking care of that omission and gives the veteran for the time he spent in military service a wage credit of $160 a month. Up to that point, we are very much in accord with this provision. However, we feel that the amount is not enough, to the point of a wage credit.

These men who entered the service were men who were physically fit and mentally alert, and we feel sure that had they remained in employment, wartime employment, they would have received not less than a wage of $250 a month, what with high war wages, and time and a half for overtime and double time for Sundays and holidays. And we sincerely hope that this committee will maintain the principle expressed in H. R. 6000 by crediting the veteran's account with time spent in service; and in the amount of $250 a month, as suggested by the Legion.

One of the other penalties and inequities, which is not necessarily removed by the crediting of a veteran's social-security account for time spent in the service, has to do with section 210, which was passed in the closing days of the Seventy-ninth Congress. This section pro-

vides that for a period of 3 years following discharge from the Armed Forces, a World War II veteran is automatically presumed to have an average monthly wage of $160 per month in covered employment. In the event of the veterans' death, his survivors, of course, would receive survivors benefits in an amount anywhere from $40 to $65 per month, depending on the size of the family. However, four and a half years have elapsed since VJ-day, and many of the veterans are no longer covered by this 3-year period. For over a year the National Child Welfare Commission has received applications for aid from veterans' families where the wage earner has died a month or two months or so after the 3-year period of coverage. In other words, if a veteran had died a month or two earlier, his family would have reaped the benefit of this particular law.

In the present bill this law is restated. The 3-year period still remains. We feel that that 3-year period should be extended indefinitely; and for two reasons. First of all, under the extension provisions of the proposed bill, H. R. 6000, all wage earners are not covered; and among them will be many veterans. We feel that these veterans at least would have some protection for their families if this law was extended for an indefinite period. It would also protect the newly insured veteran by giving him some protection while he was building up social-security credits. We sincerely hope that a good deal of thought will be given by your committee to the possibility of extending that particular provision of the present law, section 210.

For a number of years the American Legion has advocated the extension of coverage of old-age and survivors insurance. It is a matter of regret that in the present bill many wage earners are left out of the picture. We sincerely hope that in due time that will be remedied.

We are also very happy to see that provision is made now in cases of disability, where insurance benefits are provided to families where the wage earner is disabled for one cause or another, and where that disability is not covered by existing Federal acts or under State workmen's compensation acts.

The part of the bill that we have much interest in has to do with public assistance, and in that connection we would like to make a statement that we think that the public assistance program—and in this case it has to do with aid to dependent children; in other words, children who are living in their own homes—should ultimately become part of a social-insurance program. And there are two or three reasons why we say so.

As you know, under the present law, the ADC program is administered from funds derived from the Federal Government, State, and counties. We think if that were placed under a social-insurance program several advantages would accrue. In the first place, the wage earner of that family would be contributing toward this insurance program, and at his death that family would automatically receive as a right the benefits as a result of his contributions.

In the second place, we think that the benefits to families would be uniform throughout the country, which is certainly not the case now under the ADC program. That is, assuming conditions are the same in one part of the country as in another so far as the credits are concerned.

In the third place, we think, too, that it would be a saving, particularly to States which are now administering the ADC program, and to the Federal Government.

At the present time, under the ADC program, every family's eligibility has to be determined by case workers; and there are thousands of those case workers throughout the country. If this could be put under a social-security program, the need for determining eligibility would be unnecessary. The very fact that they were insured would settle that fact. And we sincerely hope that this committee will give serious thought to the possibility of developing this program under a social-insurance set-up.

We are interested in this aid-to-dependent-children program, as outlined in H. R. 6000, because for the first time under the Social Security Act it gives recognition to the mother or the relative who is raising this family. I might say that prior to the advent of the Federal Security Agency the States throughout the country developed this program under the name of mothers' aid or mothers' pension. And when the program was put under the social-security set-up, it was known as aid to dependent children; and the emphasis was changed from the mother to the child.

Now we have no quarrel with the change of emphasis; but in making that change we lost sight of the fact that the mother was a very important part in the program of preserving that home. And during all the years that the Social Security Act has been in effect, there have been no public grants to mothers or relatives—I mean, no Federal grants—who were charged with the responsibility of rearing the family. We think that was a serious oversight, and in many cases jeopardized the preservation of the family; and we are very happy to note that that matter is being taken care of in the present bill.

We have for a number of years in the American Legion been committed to the principle of having grants-in-aid to States for aid to dependent children based on the economic capacity of the States, or what is known as variable grants. The National Child Welfare Commission made a survey not so long ago of the applications which came to the headquarters of the national organization, and they found that 70 percent of all the applications that they received for aid from all over the United States came from one-third of the States. And that one-third had the lowest grants per family under the ADC program. The grants in those States ranged from $26 per month per family to $46. The second group, which composed 17 percent of the applications, ranged from $46 to $79, and the third group from $79 to $107.

Now we, of the Legion, feel that no child should be penalized because of his place of birth, and that no matter where a child is he should have equal opportunity for the fullest development of himself.

There are a number of ways by which this formula can be worked out. We have no particular formula that we want to present. We are interested only in having the principle established.

I might say this: That on the basis of resources some of the so-called poorer States are giving more, in proportion to the care of children, than the richer States. We believe it is time for us to think as one Nation, especially when it comes to the welfare of children.

We are very happy to see that included in this act is a provision that the State plans for administering the ADC program provide for expeditious decisions with regard to applications for aid. At national headquarters, we are spending thousands of dollars to take care of families who are waiting unduly long periods of time for some

State agency to determine the eligibility of the family; and we can see neither reason nor excuse for this high percentage of cases, and we hope this provision included in H. R. 6000 will take care of what we think is a very serious situation.

Now, I have talked to you about the ADC program,which takes care of the youngsters in their own homes; but there is a child who has no home, and for whom there is no provision made in this act, and that is the child whose home is broken beyond repair or rehabilitation, and who has to be taken care of either in a foster home or in an institution. Under this act, no provision is made for any Federal grant for that particular youngster.

Throughout the United States today these children are being kept in shelter homes. They are quite often being returned to homes that are unfit for them. And it is simply because the agencies cannot find foster homes at the rate they say they can afford to pay. We feel if there were a subsidy such as we have now for children who are in their own homes under the ADC program, that child might get a square deal. He certainly isn't getting it today.

In conclusion, I should like to just make this statement: I am just a volunteer worker in the American Legion, one of 35 to 50 thousand men and women throughout this country who are giving time and effort in the service of children. And these workers, as they go through the highways and byways of our country, have become acquainted with the needs of children, and particularly the extent to which those needs are met. And as they make their reports from year to year to national headquarters and to their State headquarters, they call attention to many of the unmet needs that are in existence today; for example, the needs of children who suffer from rheumatic fever, cerebral palsy, defects of sight and hearing, dental defects, and so on. There is a long catalog. And we feel that probably with a greater grant—I understand the grant to the United States Children's Bureau has been increased, but if that could be increased more, many of these defects and unmet needs might be materially helped toward being met.

We, of the Legion, and I am sure you feel that way too, believe that the child is the future, and that what that future is to be will be determined in large measure by the way we handle problems affecting children today.

We sincerely trust that you, as a committee, as well as the Congress, will act favorably on H. R. 6000, and with the suggested amendments, so as to make this future as bright as possible.

Mr. Chairman, I wish to thank you for the privilege of appearing before you this morning, and to thank you in the name of the Legion for the consideration that you have given me.

The CHAIRMAN. We are very happy to have heard you, sir.

Mr. EHINGER. Thank you.

Senator KERR. I did not understand that you had a specific recommendation with reference to those provisions that you referred to as being unprovided for in this.

Mr. EHINGER. Foster-home care for children?

Senator KERR. Well, some of them, you said, went to foster homes, some to institutions. And I gathered from what you said that there might even be some who were not cared for in either of those two temporary expedients.

Mr. EHINGER. Well, my suggestion would be that the same consideration be given that child that is now given under the ADC program to the children who have a home to tie to. In other words, one of the difficulties in not being able to find suitable foster homes is that the agencies are not willing to pay what it actually costs to maintain a child in a given home; and the result is that people just aren't going to accept children when part of the burden of that support will fall upon them. It is quite a job to raise other people's children anyway, and while I do not advocate a sum large enough for them to make a profit out of the care of the children they have, it certainly should be enough to cover the cost. And I would say that a grant such as now is being put into effect, or is in effect, for the ADC program, would be certainly advisable in this other category.

The CHAIRMAN. It has been recommended that the grants be increased from 3½ millions to 7 millions under H. R. 6000, and it has been further recommended that that total be brought up to 12 millions per annum.

Mr. EHINGER. Well, I recognize that that is in the bill. But that is for what has been termed as "child welfare services."

The CHAIRMAN. Child welfare services; yes.

Mr. EHINGER. Now that is a very broad term, and whether or not the care of children in foster homes could be put under that would be a matter of interpretation.

The CHAIRMAN. I think you are right on that point, but we did ask some questions to try to elicit from those who spoke for the 12 millions whether or not they contemplated that they would care for these particular children, if that addition to the appropriation would enable them to do it.

Mr. EHINGER. Well, I think it might be possible to do that. But with the present plan, of $7,000,000, I think all the Children's Bureau could do would be to make token grants to the States. It would not do any more than scratch the surface. And a lot would depend on how they are going to spend their money, what proportion they are going to put on other phases of the child-welfare services.

The CHAIRMAN. Are there any other questions?

Thank you very much for your appearance, Mr. Ehinger.

Let me ask you one question, before you go, though. Did the Legion recommend to the Ways and Means Committee a wage credit of $250 for each of the veterans during their military service?

Mr. EHINGER. No; we did not make any specific recommendation at that time. Of course, there was no bill at the time.

The CHAIRMAN. I understand. They gave a wage credit of $160 per month for each month of service.

Mr. EHINGER. Well, of course, there are two provisions there. One provides for a survivors insurance benefit.

The CHAIRMAN. Yes; I am speaking of that.

Mr. EHINGER. Well we still are in sympathy with that $160 a month. It is in the other category, of wage credits for time spent in service, so that a man while in service could have built up his service credits under social security.

The CHAIRMAN. And you are recommending $250?

Mr. EHINGER. $250; because we think he should be put on a par with a man who did not get into the service and who earned that much.

The CHAIRMAN. Thank you very much. I wanted to get that clear in my own mind.

Did you wish your whole statement put in?

Mr. EHINGER. Yes; I did.

The CHAIRMAN. You may enter the whole statement, Mr. Reporter, along with the oral explanatory statement Mr. Ehinger has given.

Mr. EHINGER. Thank you.

(The prepared statement of Mr. Ehinger follows:)

TESTIMONY OF GEORGE EHINGER, NATIONAL EXECUTIVE COMMITTEEMAN OF DELAWARE, THE AMERICAN LEGION

I am George Ehinger, Kings Highway, Dover, Del. I am appearing in behalf of the American Legion, in which organization I am a member of the national executive committee from the Department of Delaware and also a member of the national child welfare commission. I have been an active member of that organization, particularly in its child welfare program, since 1939.

I want to take this opportunity in behalf of the American Legion and most specifically in behalf of the national child welfare commission of the American Legion, to express to you our sincere appreciation for the privilege of appearing before you to state our position on this very important bill. You will, of course, recognize that as a child welfare commission our major interest is in those features of the bill pertaining to children or affecting children.

I would also like to establish the position that I do not in any sense appear before you as an expert, particularly in the insurance field. I have, however, carefully studied the present Social Security Act and have real appreciation for its complexities and for the difficulties which exist in any attempt to amend its provisions, especially as they apply to social insurance. As an organization, however, we believe that certain changes in the present Social Security Act are desirable. We have made an extensive study during the past 2½ years of the present act and we are cognizant of some of its lack and shortcomings. Likewise in my capacity as superintendent of the Murphy School in Dover, Del., I am personally aware of some of the gaps which now exist in our over-all program for children in the United States.

One of the primary purposes of the American Legion is to be of service to the disabled veteran and to the dependents of veterans of the two world wars. Our interest in children is a part of that broad program of service. For more than a quarter of a century one of the goals of the American Legion has been "A square deal for every child" and in that period of time we have expended in excess of $73,000,000 in direct aid to children. Even in these days, $73,000,000 is a very respectable sum of money and should indicate that the American Legion has more than an academic interest in the well-being of children.

Today, because two world wars involving some 20,000,000 men and women have occurred within a single generation, our country has now arrived at the point where the majority of males are either veterans of maximum child-producing age or else veterans who only recently passed that age. The result is that at least half the children in the United States are today the children of veterans and the percentage may be expected to rise even further as evidenced by the fact that our record number of births during the past several years has consisted of considerably better than 50 percent veterans' children. In fact, a conservative estimate would place between two-thirds and three-fourths of our current births in this Nation in the category of veterans' children.

Within the national organization of the American Legion, we have facilities for extending direct cash assistance to dependent children of veterans upon a temporary basis whenever governmental or other sources of aid are not available or adequate. Although we have been able to assist children through the expenditure of some $73,000,000, our experience has shown us that with some 23 or 24 million children of veteran parentage, it is patently impossible for any private organization, however large it may be, to expect to assure proper care and protection to even the children of veterans much less to all the children of our Nation. For that reason, we have felt deeply obligated to turn more and more of our attention to those public programs established by Congress for the benefit of children.

In order that the position of the American Legion in relation to social insurance, public assistance, and child-welfare services may be understood, and for the pur-

pose of record, I would like to submit the resolving clauses of our resolutions pertaining to these programs.

No. 294: Social security credit for active time in service (1949 national convention)

"*Resolved, by the American Legion in national convention assembled in Philadelphia, Pa., August 29, 30, 31, and September 1, 1949,* That we urge suitable legislation be enacted, allowing maximum social-security credit for active time served in the armed forces of the United States during the period of World War II, such legislation to provide for the maximum wage credits of $250 per month and 'quarter of coverage' toward a fully insured status."

No. 800: Survivors insurance for dependents of deceased World War II veterans (1947 national convention. Reaffirmed by Resolution No. 754 of the 1948 national convention)

"*Resolved,* That the American Legion urges that the present coverage of dependents of deceased veterans of World War II under survivors insurance of the Social Security Act, based upon presumed average monthly wages of $160 minimum, which under present law expires 3 years after discharge, be made permanent, provided that present prohibitions pertaining to dual benefits from the Veterans' Administration and the Federal Security Agency are continued."

No. 801: Old-age and survivors insurance related to child welfare (1947 national convention. Reaffirmed by Resolution No. 754 of the 1948 national convention)

"*Resolved,* That the American Legion recommends changes in said act which will materially increase the base benefits payable for children under survivors insurance."

No. 802: Old-age and survivors insurance extended to presently uninsured groups (1947 national convention. Reaffirmed by Resolution No. 754 of the 1948 national convention)

"*Resolved,* That the American Legion recommends changes in the Social Security Act which will extend old-age and survivors insurance coverage to presently uninsured groups, not including public employees who are eligible for other survivors benefits."

No. 803: Social Security Act provide insurance coverage when wage earner disabled and cannot work (1947 national convention. Reaffirmed by Resolution No. 754 of the 1948 national convention)

"*Resolved by the American Legion,* That title II of the Social Security Act, as amended, be further amended to provide insurance coverage for families where the wage earner is or becomes unable to work because of disability, not covered under other recognized governmental agencies: *Provided, however,* That no such benefits be made available where compensation equal to or greater in amount is paid for disability from other sources administered by public agents."

No. 754: Protection of dependents of veterans under social security (1948 national convention)

"*Resolved,* That the thirtieth national convention of the American Legion in convention assembled, Miami, Fla., calls for immediate action by the Eighty-first Congress of the United States to remove the penalties which veterans of World War II and their dependents now suffer in the operation of the old-age and survivors insurance program; and be it further

"*Resolved,* That benefits payable to or on behalf of children under the old-age and survivors insurance program be increased commensurate to increase in the cost of living; and be it further

"*Resolved,* That those veterans who have lost the protection of survivors insurance by reason of the lapse of more than 3 years after discharge be reinstated under that program; and be it finally

"*Resolved,* That recommendations for other improvements in the social-security program of aid to dependent children and old-age and survivors insurance as mandated by the twenty-ninth national convention, New York City, N.Y., August 28-31, 1947 (resolutions Nos. 799, 795, 796, 797, 798, 794, 802, 803, 800, and 801) are reaffirmed."

No. 797: Supplemental assistance to relatives who care for dependent children (1947 national convention. Reaffirmed by Resolution No. 754 of the 1948 national convention)

"*Resolved, by the American Legion,* That the Federal Social Security Act, as amended, be further amended so that aid-to-dependent-children grants can be

made which will provide funds for the eligible relative who maintains the home and cares for the small dependent child when such relative is without adequate means of support for himself."

No. 798: Federal grants-in-aid to State to assist dependent children (1947 national convention. Reaffirmed by Resolution No. 754 of the 1948 national convention)

"*Be it Resolved, by the American Legion,* That Federal grants-in-aid to States for the purpose of assistance to dependent children be based in part on the economic capacity of the State rather than at a fixed percentage for all States."

No. 796: State and Federal participation in foster-home care for children (1947 national convention. Reaffirmed by Resolution No. 754 of the 1948 national convention)

"*Resolved by the American Legion,* That we reaffirm Resolution No. 15 adopted at the 1938 national convention in Los Angeles, Calif., which called for Federal aid in financing of foster-home care; and be it further

"*Resolved,* That appropriate State laws and the Federal Security Act, as amended, be further amended, so that the State and Federal Governments will participate, under appropriate auspices, in the payment of any required cost of foster-family care for children who have no parent or relative able to care for them."

H. R. 6000 which is now before you for consideration, satisfies Resolution No. 801 passed in 1947 at the New York national convention and reiterated at the 1948 national convention in Miami. Under the present law, a child's insurance benefit is equal to one-half the primary insurance benefit of the individual with respect to whose wages the child is entitled to receive such benefit. H. R. 6000 would substantially increase the primary insurance benefit of the insured wage earner and would, therefore, increase that portion of it payable to children. In addition, H. R. 6000 would raise the child's percentage to three-fourths the primary insurance benefit in the case of a single child. In the case of more than one surviving child in the same family, H. R. 6000 provides that each child will receive one-half the primary insurance benefit plus an amount equal to one-fourth the primary insurance benefit divided by the number of eligible children. In all cases, the amount of insurance benefit payable to children would be substantially increased and would be of real value in meeting the present-day costs of food, clothing, shelter, education, and medical care of a growing, developing child. At present, we are finding it necessary to supplement in many cases the benefits paid to children under the survivors insurance program. In our supplementation of direct financial aid, we make no attempt to provide children with sufficient money for luxuries. The additional money paid to these children from American Legion funds is only for the necessities of life which we believe the old-age and survivors insurance program should substantially provide.

For these simple, yet just and obvious reasons, we favor the provisions of H. R. 6000 and strongly urge their adoption by this committee and by the Congress of the United States.

The provisions of H. R. 6000 likewise satisfy in part resolutions of the American Legion national convention of 1947, 1948, and 1949, in regard to establishing a social-security credit for veterans of World War II during time spent in military service.

Under the Social Security Act as now constituted, there is no way for a veteran nor his dependents to receive the maximum benefits under old-age and survivors insurance. This is true because an individual who served his country in the military or naval service was not permitted to build up any wage credits during the war since military service was excluded from the definition of covered employment. Actually, therefore, the present Social Security Act places a penalty upon the veteran for defending his country.

It can be logically argued that the relief of penalties imposed on veterans and their dependents in the operation of the old-age and survivors insurance program should have been made at the time of passage of the Selective Service Act, the Civil Relief Act, or the GI bill of rights. To a veteran, it seems somewhat inconsistent that Congress should require a commercial insurance company to maintain a policy in force during the war even without premium payments, as was required by the Civil Relief Act, and at the same time fail or refuse to make the same provisions for the old-age and survivors insurance program operated by the Government. Since Congress did not see fit during the war to relieve these penalties, any attempt to do so now can be made, by some, to appear as a "veterans' grab" rather than the proper adjustment of an inequitable situation.

The American Legion believes that H. R. 6000 provides a simple but effective means of correcting this inequity by providing for the social security account of

each veteran to be credited in the amount of $160 per month for each month such veteran spent in military service. The American Legion favors the principle involved in crediting a veteran's social security account for time spent in military service. We do believe, however, as expressed in Resolution No. 294 of our 1949 national convention, tnat the amount of that credit should be the maximum $250 per month rather than the $160 as proposed by H. R. 6000. We know first of all, that only those who were physically, mentally, morally, and emotionally sound were selected by the military services. Because they were the most fit of the men in their community, we know they would have had no difficulty in maintaining the maximum wage of $250 had they remained home and worked in war plants. Secondly, we know that no one will argue that a serviceman during time of war receives compensation commensurate with his own sacrifices, his working conditions, his hours, nor the hazards which he must undergo in the patriotic defense of his country. We believe that $160 per month puts a very cheap price tag on patriotism, valor and suffering. In civilian employment wage scales and income are tried to production but since a serviceman during time of war is admittedly not paid an amount which represents just compensation for his efforts based upon civilian standards, who is to say that his services in time of war are of less value than the nonveteran. Since, then, defense of one's country during time of war and assembly line production are not comparable, the American Legion believes it logical to credit a veteran's social security account by at least an equal amount to that of the veteran's stay-at-home brother. We sincerely hope that this committee will maintain the principle expressed in H. R. 6000 of crediting the veteran's account for time spent in military service but we likewise urge you to give serious consideration to increasing the amount of the credit to the maximum allowable under the present law. Although the crediting of a veteran's account even in the amount of $250 will probably not cover all of the technical problems of old-age and survivors insurance brought about by service to one's country, the American Legion believes that it goes a long way toward removing the major penalties and reestablishing equity between the veteran and the nonveteran in a large precntage of cases.

One of the inequities and penalties which is not necessarily removed by the crediting of a veteran's social security account for time spent in military service is the subject of American Legion Resolution No. 800 of our 1947 convention and No. 754 of our 1948 convention. This resolution concerns itself with section 210 of the present Social Security Act which is restated as section 217 in H. R. 6000.

In the closing hours of the Seventy-ninth Congress, section 210 was added to the present Social Security Act. This section provides that for a period of 3 years following discharge from the armed forces a World War II veteran is automatically presumed to have an average monthly wage of $160 per month. In event of the veteran's death during this 3-year period, his surviving dependents then receive a benefit based upon this presumed average monthly wage unless the veteran had an earned average monthly wage in a greater amount. This section also provides that if the surviving dependents of a deceased veteran are eligible for any pension or compensation payable under any of the laws administered by the Veterans' Administration, such fact is to be certified to the Administrator of the Federal Security Agency and further payments from old-age and survivors insurance funds are discontinued or adjusted.

This automatic coverage for surviving dependents of World War II veterans who die within 3 years after discharge ordinarily provides benefits ranging from about $40 to $65 per month, depending on the number of dependents involved and the length of the veteran's service. Those of us who were active in American Legion child welfare work prior to World War II will recall that it took 25 years and a Second World War to provide a general system of benefits for widows and orphans of World War I veterans. The fact that similar benefits (although payable through a different governmental agency) were secured within 9 months after VJ-day represents a material advance in our national child welfare resources.

I must point out, however, that nearly 4½ years have now elapsed since VJ-day and this 3-year period of coverage for World War II veterans under the Social Security Act has now expired for the major portion of veterans. For over a year the national child-welfare division of the American Legion has been receiving applications for temporary financial aid where the veteran's family would have been eligible for social-security benefits had the veteran died a few months, or even a few weeks, earlier. The mere fact of a veteran living an extra week or in some cases even an extra day, can deprive his dependent children of a regular monthly income.

We believe H. R. 6000 should be amended to remove this penalty on the surviving dependents of a deceased World War II veteran by the simple expedient of projecting the provisions of section 210 for an indefinite period. We feel that this amendment is doubly desirable because first of all Congress has not yet seen fit to extend benefits under the Social Security Act to all wage earners. Because of the large number of veterans now living, they are excluded from the Social Security Act in the same percentage as is the general population. In other words, if 40 percent of the general population is employed in jobs not covered by the Social Security Act, then likewise approximately 40 percent of the veterans group is excluded from coverage.

Even though the Eighty-first Congress sees fit to extend insurance coverage to presently uninsured groups, our suggested amendment would still be desirable for a second reason since it would establish protection while the newly insured veteran was building up wage credits. It would also serve to provide a floor for survivors benefits below which the dependents of a man who served his country could not fall.

I do not wish to spend all of my allotted time in a discussion solely concerning old-age and survivors insurance benefits but before continuing to the public assistance features of H. R. 6000, I should like to point out to this committee that the American Legion, by Resolution No. 802 of its 1947 national convention and No. 754 of its 1948 convention, has gone on record favoring changes in the Social Security Act which will extend old-age and survivors insurance coverage to presently uninsured groups. We must point out that the present provisions of H. R. 6000 fall short of this goal. The American Legion does approve of the start made in extending insurance to uninsured groups but would hope to see eventually all regularly employed persons give the protection which social insurance provides.

Also I should like to call your attention to Resolution No. 803 of our 1947 convention and No. 754 of the convention held in 1948 which places the American Legion on record as favoring amendments to provide insurance coverage for families where the wage earner is, or becomes, unable to work because of disability not covered under other recognized governmental agencies and not duplicated by disability benefits from such sources as workmen's compensation. We believe the provisions of H. R. 6000 substantially meet these requirements and such provisions are consequently looked upon with favor by the American Legion.

Title III of H. R. 6000 provides amendments to the public-assistance provisions of the Social Security Act and part II of that title deals with aid to dependent children in which the American Legion is primarily interested. In our basic concept, we believe that public assistance is a vital necessity but we further believe that it should be reduced to an odds-and-ends program when the insurance program has been so strengthened as to make this possible. Until Congress sees fit to make social insurance our primary protection, we must look to public assistance as the first line of defense against economic need of children when major misfortune befalls their families. From our own experiences in the administration of the American Legion's temporary financial-assistance program, we know that the present public-assistance provisions for children are inadequate to meet their needs. During the past year, the American Legion and its affiliated organizations have found it necessary to spend in excess of $3,000,000 where community agencies or Government did not meet existing needs. In addition, the American Legion was instrumental in obtaining from sources outside its own revenue, some 2½ million dollars to apply toward the same problem.

One of the grave weaknesses of our present act is its failure to recognize the needs of the mother or otherrelatives who are maintaining the home for her children. Prior to the passage of the Social Security Act, many States had established programs of assistance for mothers known variously as mothers' aid, mothers' pensions, etc. The Federal Security Act reversed the emphasis by establishing aid for children who were residing with certain eligible relatives. The child-welfare commission of the American Legion is in sympathy with the philosophy of placing emphasis on children in any program such as this. But by neglecting to make any consideration through the Federal act to the needs of the relatives who provide care for dependent children, definite hardships have resulted not only for the eligible relative, but for the children themselves.

The American family home is the most precious institution of our Nation. Every act which we take in the field of social welfare should be put to the test of whether or not such acts contribute to the preservation of the family. By failure to provide for the needs of eligible relatives who provide necessary care for dependent children, mothers in many States have found it impossible to

maintain homes for their dependent children. The principle of both our old programs of mothers' aid and the present program of aid to dependent children is that generally it is much better to provide care for dependent children in their own homes with their own mothers or other close relatives than to care for such children in institutions. Although this principle is undoubtedly sound, we have failed to implement it adequately by providing a source of aid for those needy eligible relatives who are providing care for children.

H. R. 6000 which embodies the recommendations in our resolution No. 707, seeks to correct this situation by providing Federal participation in the meeting of the needs of such eligible relatives. The experience of the national organization of the American Legion in administering direct financial aid to dependent children of veterans has demonstrated to us the need for this step. Applications reaching our national headquarters for such aid from our own resources show that 20 percent of the families which we help are receiving aid to dependent children from their State public-assistance agencies in amounts insufficient to meet the needs of the family as a group, or are awaiting action on an application for aid to dependent children. While the national headquarters of the American Legion is glad to be able to assist these families of veterans for temporary periods, we can only reach a limited number of families for a limited period of time. We strongly urge that Federal participation in meeting the needs of dependent children within the family group be provided, including the needs of the adult relative (usually the mother) who provides care for such children.

To the American Legion, all children are equally important. We, of course, feel that we have a special responsibility to the dependent children of veterans and use a portion of our national resources in order to extend direct aid to such children. Last year alone, the national headquarters disbursed about $85,000 in direct money payments to needy children of veterans. Although, quite naturally, a large portion of this money came from the more wealthy States, most of it went to the aid of children in those States with the lowest per capita income. Insofar as our own program is concerned, our purpose is to help those children of veterans who are in need and who are unable to have those needs met adequately through the regularly established sources of public aid. We are convinced that under our present system of public assistance thousands of children, particularly in States with low per capita incomes, are not receiving adequate care.

The national child welfare division of the American Legion recently completed a 3-month study of applications for Legion aid to children. This study found that 70 percent of all the applications received in our national headquarters came from one-third of the States having the lowest average payments under the State programs of aid to dependent children. At the time of the study, these States had average ADC payments ranging from $26.13 to $46.28 per month per family. During the same period, the States in the middle range of ADC averages (from $46.58 to $70.11 per family per month) accounted for 19 percent of the applications for Legion help, while an equal number of fairly high ADC States (from $70.31 to $107.33) provided only 11 percent of our applications. This same situation has continued over a period of a good many years. On a purely mathematical basis, a greatly disproportionate share of the funds which the national organization of the American Legion has available for child-welfare purposes is being spent in those States which have the lowest standards of aid to dependent children and which are also, by and large, the States with the lowest per capita incomes in the Nation. From our point of view, this is money well spent, since it is going to the support of a group of children which need aid from some outside source probably more than any other group in the country. However, I must remind you again that no private organization can hope to meet the needs of half the Nation's children and also that there are an equal number of children of nonveterans who are in need and who are of great importance to the future of the United States. We feel that where children are less apt to have their needs met through State and local resources, the principle of extending greater assistance should be applied to the public program of aid to dependent children. This recommendation is endorsed by Resolution No. 705 of the 1947 national convention, which was reaffirmed by the 1948 national convention.

You will note that the American Legion asks that Federal grants-in-aid to States for the purpose of aid to dependent children be based in part on the economic capacity of the various States. There are a number of methods by which Federal grants-in-aid might give weight to the economic capacity of a State. H. R. 6000 provides one method of accomplishing this end. However, the American Legion is not irrevocably committed to the specific formula set forth in this bill. We realize that much work has been done on this subject. This committee may also

have before it other formulas designed for the same purpose, and the American Legion would find acceptable any reasonable formula which would give weight to the economic capacity of the various States in the computation of Federal reimbursements for aid to dependent children.

Even from the point of view of our more wealthy States, it is good sound business to see that dependent children everywhere are properly cared for. We are a highly mobile Nation. Metropolitan centers for the most part do not reproduce their own numbers but are constantly receiving new blood from rural areas. Those parts of the Nation which are poorest in material wealth are richest in children, so that there is a constant flow of young people from the poorer sections of the United States into the more richly endowed sections. The history of the Selective Service System also gives added substance to the philosophy of caring for children wherever they may be. As has been pointed out by official record, a far greater percentage of young men were rejected by our military services in the low per capita income States than in the high per capita income States.

In providing care for the dependent children of the United States, it is time for us to think as one Nation, to consider all children of equal importance wherever they may be born. On the basis of effort, many of the poorer States are already making a much greater effort to care for their children on a percentage basis than are some of the richer States. The available tax resources in many of these low-income States are simply not comparable to the needs. We see no other way at the present time to guarantee reasonably adequate support for dependent children in those States save through a system of reimbursements which will give consideration to the economic capacity of the States.

One further point on assistance to dependent children. We should like to commend highly the language of section 321 of H. R. 6000 which pertains to the requirements of State plans for aid to dependent children. Of particular significance to the American Legion is line 22, page 174, and lines 14 and 15 of page 175 of that section. These lines specify that State plans must provide that aid to dependent children shall be furnished promptly to all eligible individuals and that an opportunity for a fair hearing before the State agency must be provided if an application for aid to dependent children is not acted upon within a reasonable time. The American Legion finds in the administration of its own temporary aid program that many thousands of dollars must be expended to relieve veterans' children of dire need while awaiting some action by State agencies in regard to their pending application for assistance to dependent children. On some few occasions in some few localities, a long waiting period might possibly be justified. Basically, however, the American Legion can neither see reason nor excuse for the high percentage of aid to dependent children cases in the United States that must wait unduly long periods of time to receive action on their applications. We would most heartily endorse any language of the Federal act that would emphasize the need for States to act promptly when a child appears to be in need for we know that as a Nation we must pay a far greater price for our procrastination in terms of chronic defects and deformities brought about by our failure to provide growing children with the things they need at the time they need them.

Since 1938, the American Legion, through convention action, has favored State and Federal participation in the financing of foster home care. Our last such resolutions calling for this action were Resolution No. 706 of our 1947 convention and No. 754 of our 1948 national convention. H. R. 6000 maintains the principle whereby Federal Government might participate in the cost of foster home care but in our opinion does not yet provide adequate means. Section 331, part III, title III, amends the present Social Security Act by increasing the amount of money allotted for child welfare services, administered under the United States Children's Bureau, to $7,000,000. The Bureau's present allotment for child welfare services amounts to only $3,500,000. As an organization with 25 years interest in the workings of the United States Children's Bureau, we do not believe that $7,000,000 will permit that agency to do more than make token grants to States for foster home care or to participate in foster care programs on a selective basis in areas of greatest need.

The American Legion has been cognizant that some few States in our Nation have increased the amount of money allowable to pay for foster care of homeless children. We find, however, that many States are unable to provide greater amounts of money for this type of care in relation to the other tax demands made upon them. Likewise, local communities are finding it impossible to even provide an amount of money sufficient to meet the food and clothing costs of children living in a foster home.

As we have mentioned previously in this testimony, the American Legion believes all children to be of equal importance and we cannot agree that a child in his own home may need assistance when living with one parent but that a child with no parents needs no assistance. If anything, a full orphan is likely to need greater help in both service and assistance than is the child with one or both parents living.

The national child welfare commission of the American Legion has noted with some alarm the increase in the population of institutions for dependent, neglected, and delinquent children. We are certain beyond doubt that one major reason for the increase in this very expensive type of child care is our failure as a Nation to provide adequate funds to secure needed foster homes. We do not argue in any sense that our institutions for children are not needed. Many of them are. But we do know that at the present time they are overflowing from a lack of foster homes. With the cost of living at its present level, foster parents are no longer able to maintain a home for someone else's child for the amount of assistance most of our communities are willing to provide for them.

As a children's commission of the American Legion, we attempt to think in terms of 45,000,000 children. We try to be aware of what is being done for children but our primary approach is through the answers to these three questions: (1) How many children need service? (2) What services do they need? (3) How may those needed services be brought about? We are finding at the present time that many services are lacking although the knowledge and ability to provide and administer those services are available. For example, we are finding a great many States and communities who sincerely desire guidance on their ever-present problem of delinquency. Yet the service of consultation only to these States and communities is meager to the point of absurdity. We believe this is a situation which is easily remedied and which can be accomplished under the child welfare services provisions of H. R. 6000.

In the ranks of the American Legion and its affiliated organizations you will find between 35,000 and 50,000 volunteer child-welfare workers. We do not hold out that all of these persons are professionally trained child-welfare workers but we do submit to you that their experience in child welfare has taught them to be aware of problems in their communities. These volunteer workers report to us that some of the areas of unmet need concerns rheumatic fever, cerebral palsy, sight, hearing, and dental defects, crippled children, and others with serious malformations and handicaps, runaways, detention of children awaiting court action, children of working mothers, and other problems of a similar nature. To the National Child Welfare Commission, all of these listed are a proper part of the programs administered by the United States Children's Bureau. We feel that a sincere effort should be made by this Congress to meet realistically those problems affecting the youngest third of our Nation with special emphasis on those outside the individual family's ability to solve. We believe that the provisions for child-welfare services can be sufficiently augmented in H. R. 6000 to help States to meet these problems. We sincerely urge that you as a committee give thoughtful consideration to an extension of these provisions.

We of the American Legion believe that a nation's children is its greatest resource. We believe that we make one of our greatest contributions to the Nation by doing all we can to protect this resource. We sincerely trust that you as a committee as well as the Congress of the United States will join us by acting favorably on H. R. 6000 and its suggested amendments.

Mr. Chairman and members of the committee, I consider it a privilege in being able to appear before you today and I wish to thank you all for the consideration you have given both to me and the American Legion.

(The following statement was submitted for the record:)

STATEMENT OF FRANCIS M. SULLIVAN, DISABLED AMERICAN VETERANS

Mr. Chairman and members of the committee, on behalf of the Disabled American Veterans, I wish to express our appreciation for the opportunity to address you relative to H. R. 6000, the bill now under consideration, to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes.

The DAV is primarily concerned with those provisions of H. R. 6000 beginning on page 74 of the bill and designated section 105. This section seeks to amend title II of the Social Security Act by providing certain benefits under the social security laws for veterans of World War II. Specifically, the proposed amendments would authorize earned monthly benefits or entitlement to earned lump-

sum death payments for veterans of World War II on the basis of wages of $160 per month for each month, or part thereof, such veteran served in the active military or naval service of the United States during World War II. The DAV has wholeheartedly endorsed this principle of social-security benefits for veterans of World War II by national convention mandate unanimously adopted at our 1948 convention held in New York City.

It is entirely logical and sound that the Congress of the United States should approve the provisions of section 105 of H. R. 6000. By far the large majority of the 16,500,000 participants in the armed forces during World War II were called into the service at a time when they would otherwise have been entering the labor market in occupations covered by the Social Security Act. As a result of their service in the armed forces, these 16,500,000 veterans lost the opportunity to contribute to the social-security fund for an average period of 3 years, thereby lessening the amount of their ultimate entitlement to social-security benefits. It is only just and equitable that those men who left the security of civilian pursuits to enter the armed forces should not be penalized in their old age by inadequate social-security monthly payments or inadequate lump-sum death payments to their dependents. This situation can be corrected by enacting H. R. 6000.

It is sincerely hoped that each member of your committee will favorably consider section 105 of H. R. 6000 as passed by the House of Representatives and thereby remedy an inherent injustice in the present social-security laws.

With the permission of the chairman, I would like to insert in the record of the hearings on H. R. 6000, copy of the DAV resolution endorsing the principle embodied in section 105 of H. R. 6000, attached hereto.

DISABLED AMERICAN VETERANS' LEGISLATIVE RESOLUTION 10

Whereas at the time Congress enacted into law the Social Security Act, it was believed by the American public that such legislation was intended to alleviate hunger and dependency of individual workers, in their old age, or in the event of the death of the breadwinner of a family, certain benefits would automatically accrue in favor of his widow and/or children, and

Whereas this legislation was enacted into law at a time when these United States were at peace with the world, therefore no provisions were included in the law whereby an individual who may be called into the armed forces of our country, with or without his consent, could and would receive the same consideration for his widow and/or children in the event of his death while serving our country at the battle front during time of war as would accrue to one engaged in private industry, thus placing a heavy penalty upon such an individual to be borne by his widow and/or children in the event he was killed in action, while facing the fire of an enemy, or dies in service from any cause: Now, therefore, be it

Resolved, That the national legislative department be authorized to support legislation to provide social-security credits at the rate of $160 per month for time spent in the armed forces of the United States during World War II.

The CHAIRMAN. Monsignor O'Grady?

You may be seated, if you wish. You are appearing for the National Conference of Catholic Charities?

STATEMENT OF RT. REV. MSGR. JOHN O'GRADY, SECRETARY, NATIONAL CONFERENCE OF CATHOLIC CHARITIES

Monsignor O'GRADY. That is right, Senator. My name is Rt. Rev. John O'Grady. I am speaking for the various social and charitable institutions of our church in the United States.

I have been a pioneer in social security. I have taken constant steady interest in the program since the beginning. In fact, before there was a program I made some of the original studies of the aged in the United States. I feel, therefore, that I have some right, not only as a representative of the agencies of our church in the United States, but in my own right, to speak on H. R. 6000.

Naturally, we have very large interests in this field. We have some 300 institutions for the aged in our country. We have a great many

child-caring institutions. We have city-wide social agencies in practically all of the cities of any size in the United States. So we are in day-to-day touch with the administration of these social-security programs on the local level.

I personally have had a chance to see these programs in operation in practically all the States, and I have had an opportunity of visiting a very large number of families who are receiving these benefits. During the past year I visited a very considerable number of families receiving aid to dependent children.

When we participated in the discussion of the program in 1935, it was our feeling that its basic purpose was to protect the American worker against the great hazards of life, that is, old age, premature death, and unemployment; and that we should have a work program to protect the worker by keeping the industrial army in good condition during periods of temporary unemployment. We had at that time a great deal of discussion as to how the unemployed should be taken care of, whether they should be placed on assistance or given work. It was the general feeling at the time that a work program would be much better than an assistance program. There was general feeling that an assistance program for able-bodied unemployed workers was thoroughly demoralizing. I think that was the thinking of the thirties. As a great leader said in 1936, the Federal Government "shall and must get out of this business of relief."

Now, we have constantly adhered to this point of view: that we must have benefits based on rights to protect the workers against the major hazards of industrial life, and not have benefits that depend on the attitude of every individual who visits this family and administer a needs test. And that has been our point of view in regard to the whole Federal program.

Now since 1935, as the members of this committee know, we have been studying this problem, and it has been rather puzzling to us to see this assistance program snowballing year after year, gathering more momentum, while we have not been able to provide benefits based on rights, as was originally contemplated under the act in 1935. And it is still further confusing to us at the present time to find that the Federal Security Agency is not satisfied even with the increases proposed in the assistance grants under H. R. 6000.

The three existing categories, as the committee recognizes, involve the Federal Government very heavily in the States, in the relief picture, in the grants for old-age assistance, aid to dependent children, and aid to the blind. And now, of course, we have in H. R. 6000 a proposed new category of aid to the totally and permanently disabled.

Now we have a serious question about inaugurating Federal participation in a program of unemployment relief under the auspices of ADC. We think that that is a great departure. The whole question as to how we are going to take care of unemployment is, we feel, a separate question, and ought to be discussed in connection with the stimulation of industry, as has been done this winter, in depressed areas. It ought to be discussed in connection with a work program. It ought to be discussed as a separate question, and not drawn in under the auspices of ADC.

It is a very large program in itself. We feel that, in these categories, Federal participation is increasing. The amount contributed

by the Federal Government next year will be about a billion and a quarter.

One of our reasons for adhering to this categorical approach, instead of getting into a large program of general assistance, is because we feel the categories are more controllable. We are dealing with measurable quantities. When some of the representatives of the Federal Security Agency were asked by the House Ways and Means Committee how they could estimate the cost of a general assistance program, the answer was not forthcoming. You cannot find an answer. There is no estimate of it.

I think the original idea was that categories are measurable. The Federal Government takes over a certain definite measurable part of the field pending the extension of old-age and survivors insurance to include not only all the aged—and I want to emphasize that in another connection—but all the orphans and survivors of persons who are covered in this program.

Now, the Federal Security Agency is proposing not only to add to ADC a program of unemployment relief, as we see it, but it is also proposing to add a general public assistance category. We have opposed that, as a Federal measure.

Senator KERR. Let me be sure that I understand the phase to which you refer as the general assistance category.

Monsignor O'GRADY. In the program originally, Senator, we had three categories. We had old-age assistance, aid to dependent children, and aid to the blind. Now H. R. 6000 proposes another category for the permanently and totally disabled.

Senator KERR. Is that the provision to which you refer?

Monsignor O'GRADY. No, that is not the provision to which I refer. The Federal Security Agency is proposing, over and above that, as I understand it, from the testimony presented to this committee, another assistance category. The Federal Security Agency is proposing an all-over assistance category which will take us into the entire relief field.

Senator KERR. You are talking, then, about a proposal the Federal Security Agency has made which would enlarge the provisions of H. R. 6000?

Monsignor O'GRADY. That is right, Senator.

Senator KERR. All right.

Monsignor O'GRADY. It is the same proposal that they made to the House Ways and Means Committee, and which was rejected by the committee.

I want to make it clear, of course, from the beginning, that we have a positive approach. We are not just objecting to certain things, and we are not, from the standpoint of the Catholic Charities of the United States, presenting a negative standpoint. As you can see later, our whole attitude toward this is a positive attitude. We have a positive point of view. Of course, I suppose we represent the largest group of voluntary agencies in the United States in dealing with children away from their own homes.

The Federal Security Agency, as I have pointed out, is proposing an enormous expansion that would bring the Federal Government into the entire field in the States. I want to include in the record of my testimony a statement which represents the thinking of the

Federal Security Agency in regard to this whole business. I mean, their thought-out conclusions in regard to it. I refer to the statement in the Annual Report of the Federal Security Agency, 1948, page 193, under "Welfare services."

The CHAIRMAN. Very well. You may insert that in the record.

(The material referred to follows:)

WELFARE SERVICES

Under the Social Security Act the Federal Government has since 1936 participated in the cost of providing limited welfare services. Through the grants for the administration of old-age assistance, aid to dependent children, and aid to the blind, the Federal Government meets one-half the cost of services that are directly related to the need of persons applying for or receiving one of these types of aid. Moreover, under title V of the act, grants are made to States for child-welfare services. A State cannot claim Federal funds, however, for services for needy persons who do not fall within the scope of the categorical programs, who are eligible for a special type of aid but require help that is unrelated to their financial need, or who are self-supporting but seek help in meeting personal or family problems. In many States, moreover, public child-welfare services are available only in selected areas.

During the past 13 years the value of welfare services under governmental auspices has been amply demonstrated by the results of the services supplied under the programs for child welfare and public assistance. Increasingly people are turning to the public welfare agency for services of many types including homemaker service, home-finding, and counseling. In many localities of the Nation there is no other social agency.

To help families to remain together and to enable families and adults to become self-supporting, to make fuller use of community resources, or to solve individual or family problems, the Social Security Administration advocates the extension of Federal financial participation to cover all welfare services administered by the staff of the public welfare agency. The Administration believes that comprehensive welfare services should in time be available to persons requesting them—whether needy or not—in all communities of the Nation. This goal can be attained, however, only as additional personnel can become equipped to render service of professional quality. Thus the Federal Government should also participate in financing the training of additional personnel. In all parts of the country, agencies are giving increasing attention, through numerous training devices, to improving the competence of staff in dealing with the problems of persons who turn to the agency for help.

The Social Security Administration believes that States should be able to get Federal financial support for demonstration projects in selected communities where plans for providing comprehensive services or particular types of services can be tested and evaluated.

The Family Life Conference, called by the President in May 1948, has focused the attention of the country on the contribution of the family to national life and on the forces that tend toward disintegration of the family. Services to promote the integrity of the family should receive the whole-hearted support of the Federal, State, and local governments, and of voluntary agencies. At the present time, no agency of the Federal Government has responsibility for studying family life. The Social Security Administration believes that Congress should authorize the Federal Security Agency to engage in research relating to family life with responsibility for analyzing the factors resulting in disruption or weakening of the family and those tending to strengthen the family as a social institution. The Federal Security Agency should, we believe, serve as a clearinghouse of information on programs and research relating to the welfare of the family and should stimulate public and private agencies to develop community services and facilities to assist families to cope with the problems of our modern times.

Monsignor O'GRADY. Now we feel that there is a danger of this program increasing to the point where it will be impossible for us to get a real social-security program. That is our honest point of view. We feel that it will endanger the entire structure of a social-insurance program based on rights. And we are for extending and expanding that program, not 20 years from now, not 10 years from now, but now.

As to H. R. 6000, there is one point about which we have question, here, and that is the requirement that State public-assistance plans include a training program. What the Federal Security Agency really wants to do is to use that as an opening wedge for getting into the entire field of service, not only to the needy, but to all the people of the United States. What is being introduced here is a program which will provide counselors and guides for family life on a Federal pattern for all the people of the United States, and not for the needy people alone.

I have pointed to the question of extending aid to dependent children to include unemployment relief. There is a great deal of criticism at the present time, as the Committee well knows, about the administration of aid to dependent children in the States. That is the reason why we are all the more anxious to see some more constructive program take its place. And we are beginning to wonder whether such a program, covering hundreds of thousands of families, can be administered on this individual basis, on the basis of each individual worker's approach to this particular family.

I have visited many of these families. I have spent many hours in this past week visiting these families, and I find the most puzzling situations. I find, for instance, a man who is supposed to have deserted, and he is earning $100 a week as a stereotyper, and the mother is getting $150 a month under ADC. That man had been earning $100 a week over a considerable period of time, and some of our volunteers finally called it to the attention of the administration. That family had not been visited for 6 months. We get situations of that kind all the time. There is no follow-up. There has been complaint, I know, about the administration of unemployment compensation. But with unemployment compensation, when I go along those lines, I find, on the whole, there is an effort on the part of the agency. They have established standards. They have talked about the obligation of the workers to respect this benefit—that they can only get this benefit under certain definite conditions. The man has to present himself at the employment office each week for a job.

Now, there is very little effort, as far as I can see, in the States, to follow up on this ADC and to follow up on its administration.

I am not presenting any cure-all, but you certainly should not permit families who are receiving very large benefits to so abuse the program. Because in many cases I really think that, as I have seen it in the United States, this program is more liberal than the wage system.

Now, I think that raises a real economic question in our life. Can we afford to develop a program along this line that provides benefits that are higher than wages? What will that do to the wage earners of the United States, I want to know. That is a very real question.

I again return to the basic question of a floor of protection for the workers of the United States against the various hazards of life.

In preparing this testimony our agencies have kept on reminding me that our basic interest in the program is the care of dependent, neglected, and orphan children. Now, we have made great sacrifices to maintain our agencies in this field. In a very large number of communities in the United States we have entered into financial arrangements with the local governments for the care of our children which prove satisfactory to everybody locally in these communities.

The attitude is, in the local communities: "We are in this field. We have been in this field for a hundred years. And now we have this pattern coming from Washington which says, 'Now, you don't belong in here. We are in the field.' "

And are we going to discourage all voluntary effort in this field?

We don't want to stand in the way of any program for dependent, neglected, and orphan children that are not reached by the existing organizations. But are we going to get into an ideological battle in every city in the United States about this? Suppose the child is already taken care of. Why do you want to change that arrangement?

For instance, the Chief of the Children's Bureau made a statement before this committee some days ago to which I should like to refer. She said:

> Public funds should be administered through public agencies, which, however, may utilize the services of private agencies when appropriate to meet the particular needs of individual children for whom the public agency has responsibility.

Now, I have checked this with our leaders in Cook County, Chicago, and this is how they interpret it. This is how they say it would apply, and of course, they know their own situation, I presume, in Illinois.

This means that in a city like Chicago the Cook County Welfare Bureau would have to take over direct responsibility for the care of all the children that we are taking care of at the present time. They might, at their own discretion, contract with us for the care of a limited number of these children on the basis of their special needs.

Now we can apply this same reasoning to many other cities in the United States.

We also have a great deal of question about the expansion of this program in rural communities. I participated with others in the writing of title V of the Social Security Act in 1935. We said, "We want all the expansion that is needed in areas that are uncovered. Now, do you want to take over the voluntary agencies in places that are now covered?" And then we got this provision for child welfare services in rural areas and areas of special need. Those of us who have followed the program with the greatest care are not satisfied that it has made too much progress in its original objective of providing a program of service adapted to the needs of rural communities. Of course, we know what the philosophy is, pretty well. I think it is stated very well by the Chief of the Children's Bureau. And that is what we face in this field.

Now, we have supported the increased financial participation, by the Federal Government in the three categories of old-age assistance, aid to dependent children, and aid to the blind, for which H. R. 6000 provides. Then we come into the inclusion of a fourth category, aid to the totally and permanently disabled. We believe that this is a pretty clearly defined group like the aged. We believe, however, that aid to the disabled should be based on a rehabilitation program. No aid should be given to a disabled person unless his case has been studied by a rehabilitation agency. Provision should be made for the purchase of services from both State and voluntary rehabilitation agencies. It is generally recognized today that all forms of disablement are relative to one's attitude toward them. That has been the experience of the Veterans' Administration. Many people who heretofore have been regarded as totally and permanently disabled have become capable

of self-support by constructive rehabilitation service. That is the thing that is missing with the disabled fathers in ADC families. Very little constructive effort is made to develop a real rehabilitation program for them. And I think it is the attitude of all who have been interested in these programs, that we should constantly be striving toward self-support for all people, enabling them to provide support for themselves, even if they have handicaps.

We desire to commend the steps taken under H. R. 6000 in improving the benefit standards and extending old-age and survivors insurance. The addition of from 7 to 11 million people to this system is an important step toward general coverage. We approve the extension of old-age and survivors insurance to the permanently and totally disabled.

H. R. 6000 has gone a long way toward providing a method of including voluntary nonprofit religious, charitable, scientific, literary, and educational organizations under old-age and survivors insurance. The workers in these organizations will be required to pay their share of the excise tax. The organizations may enter the system on a voluntary basis. Religious organizations want to participate in a program that benefits their employees, but they want to do so in such a way as to protect their tax-exempt status. If they were subjected to an excise tax in this matter, they might soon be subjected to other taxes, which would make it virtually impossible for them to carry on their important programs. We recommend that the very desirable provisions of H. R. 6000 in regard to nonprofit organizations be approved by this committee.

Now, while H. R. 6000 would provide for a large extension of the old-age and survivors insurance system, it would do very little for the present aged. It may add some 20 to 30 thousand persons over 65 years of age.

And we want to keep on emphasizing the responsibility of the present generation for its own aged, and no to think merely about a program that may include all the aged. It is questionable whether H. R. 6000 or even H. R. 2893 would provide for all the aged.

Under H. R. 6000, we are providing quite generously for those who will qualify in 5 years and who have had full employment during this period. Through the $25 a month minimum, we are proposing to take care of a sizeable number of aged persons and survivors who have had very little contact with the system and who may have paid very little into it.

We took in a very considerable block of people under the 1939 formula on the basis of earnings of $300, which meant that the workers had paid $3.

I have heard on all sides objections to extending coverage to the present aged. In other words, we seem to fight shy of this immediate problem of the 11,500,000 present aged persons in the United States. Some people will tell you that it is too expensive. One of my advisers told me the other day that we didn't have enough money in the United States to take care of these folks now. I asked him what we were going to do 20 years from now or 10 years from now, when the number will have increased maybe 3 or 4 million more. We can surely afford to show the same generosity to the present aged that we are willing to show to those who qualify in 5 years, or in 10 years, or in 20 years. It would be by no means an impossible task to secure sufficient in-

formation in regard to their contacts with the labor market and their earnings. We have done that in railroad retirement. We have looked back over their records, and we have tried to get the best information that we could in building up their credits. The $25 a month minimum included in H. R. 6000 is an important step toward recognizing the social responsibility of Government in this field. In other words, under H. R. 6000 the Federal Government will be committed to paying $25 a month to those who qualify under this system. Why can we not apply to the presently excluded aged the same principle that we are applying to those who have made token payments under this system? And, as I have pointed out, we have included a great many people already who have paid very small contributions. We talk about this as an insurance system. Maybe the terms used in describing it originally in 1935 were more applicable. We called it a system of "benefits" rather than insurance.

We want to encourage employment for the aged. Because, after all, the economic burden is going to become very great. It is going to become one of the largest social and financial responsibilities of our Government.

When I worked on this problem back in 1915 and 1919, we used to think of these benefits as fringe benefits, as we called them. Now, of course, they involve the whole economic structure. And we have the grave economic question as to how it accords with any system of savings, the maintenance of a dynamic economic system.

At the present time 1,100,000 men and 800,000 women are receiving benefits under old-age and survivors insurance. Some 2,700,000 persons are receiving old-age assistance benefits, and of these about 200,000 are receiving old-age and survivors insurance also. We have some 400,000 men and 2,700,000 women who are out of the labor market and are receiving neither old-age and survivors insurance nor old age assistance. If we add to this number the 2,500,000 on old-age assistance, we have a total of 5,600,000 persons that are outside of the labor market and are not receiving any benefits under OASI at the present time. If we add the 2,200,000 orphans and widows not included under old-age and survivors insurance, we would have a total of 7,800,000 persons who are out of the labor market, not covered by OASI, and who are really our present problem. This is the problem with which we are confronted, and we say that this generation must face the problem of caring for its own aged.

Now, if we were to bring all these under coverage in old-age and survivors insurance, even at the $25 a month minimum provided in H. R. 6000, we would have an annual expenditure of $2,340,000,000. If we were to pay each $600 a year—and, of course, some people around here are talking about $100 a month; but even at $600 a year, it would mean an expenditure of $4,680,000,000.

I am well aware that the inclusion of the existing aged under old-age and survivors insurance would really mean universal coverage. At least it would include coverage of all those who have ever been engaged in any form of gainful employment. It would be hardly possible to include everybody. You will find, I am sure, in our society, a considerable number of people, possibly not a very large number, who have not had contact of any kind with the labor market, have not been engaged in gainful employment throughout their lives.

The universal minimum that I am suggesting for the existing aged would not mean the abolishing of the contributory system. Whether we should have a universal minimum for all is a very debatable question. I have thought about the idea of a separate tax, which would be earmarked, and which would bring us to the point of facing immediately the question of taking care of our existing aged, over against our resources—what we could really afford to expend each year. Because after all, whatever we may think about any of these programs, they are paid out of current production. We may conceal it in any way we want, but we produce so much each year, and that is all we have got to distribute.

Over against the question of our responsibility for the aged, we have to think about the other responsibilities of Government in the United States. Many people, I know, have suggested facing the problem from that standpoint. That was what was done in a report by several members of the House Ways and Means Committee. A great many people are committed to that approach. After all, if we had begun in that way it would have been different; but we began in a different way. We began with the pay-roll tax. We began with the contributory system, in which the worker feels he has an interest. He exaggerates the extent of his investment in it, I know. But still it has many advantages. And while in other countries they have been satisfied with the minimum, I do not think that our workers would be satisfied. In these benefits, we have tried, over and above establishing a minimum, to have some relationship between the benefit and the person's wages. Our workers have become accustomed to that sort of thing and I am in favor of continuing it. If we had a universal minimum which would include all the present aged, I would then be perfectly willing to accept the provisions of H. R. 6000, although I know that there are some things in the bill that won't last, among them the continuation formula. Take the man 60 years old. If he is fortunate enough to have full employment in the next 5 years, and if he earns $3,000 a year, he can qualify for full benefits. But take his brother who is 55 years old, and has the same coverage. When he gets to be 65, even though he is earning the same amount of money, his benefit is cut in two. That, as I understand it, is the continuation formula. I have debated this with the representatives of the Federal Security Agency, and the answer I get all the time is "We are going to settle that when we come to it."

Of course, I know it will be settled when we get to the 5 years, because it won't stand up. I don't think that it will stand up because it is an effort to conceal the cost, to make the program appear less costly now, in the estimates for the next 10, 20, and 30 years. But clearly that is not going to remain in the act.

All in all I should be inclined to go along, and the group that I represent are willing to go along, with the basic changes in H. R. 6000 as they affect old-age and survivors insurance, with this reservation: that we want to see universal coverage. We want to face the problem of the existing aged. And we want to face it on a pay-as-you-go basis.

Senator KERR. May I interrupt you, there, for a moment?

Monsignor O'GRADY. Yes.

Senator KERR. I gathered a while ago that you felt that there was a coverage being recommended by the Federal Security Agency over and beyond the provisions of H. R. 6000.

Monsignor O'Grady. That is right.

Senator KERR. Which you disapproved, because it would be too extensive a program and of a nonestimable amount of cash.

Monsignor O'GRADY. No, no. As far as the recommendations of the Federal Security Agency in regard to the extension of OASI to include almost universal coverage are concerned, we favor what they favor. But we feel that what they favor means this. It means that we will include only about 30,000 of the present aged. Even 10 years from now, we will still have about 67 percent of the present aged who will be out of the system.

Senator KERR. I am not trying to argue with you. I am just trying to get your viewpoint. And I gathered a while ago that you objected to as extensive an additional coverage as they were recommending. You said that nobody could estimate the cost.

Monsignor O'GRADY. No, I talked about assistance, Senator. I object to the over-expansion of assistance.

Senator KERR. Yet I understand now that you are saying that you favor a minimum to all of the aged.

Monsignor O'GRADY. That is right. That is, all the aged under benefits based on rights.

Senator KERR. But regardless of the formula, the net result would be that all of the aged would be included.

Monsignor O'GRADY. All the aged would be included.

Senator KERR. And in my own mind, I am trying to figure out how you can on one hand object to a program that is too extensive and on the other hand propose one that is even more extensive.

Monsignor O'GRADY. Yes, it was the intent of the original act as I understand it, to bring the aged in under a system of benefits based on rights and to provide a basic floor of protection for them. That is another important consideration here. Are we trying to provide a basic floor of protection for people, or are we taking care of all their needs?

Now, I want them included under a program that will not involve a needs test. Including them in this program of old-age assistance, will mean involving them in a needs test, which, of course, is a variable thing from State to State.

Senator KERR. Then I get it that your objection is not to the proposal to cover them, but to the method?

Monsignor O'GRADY. To the method. That is right.

The CHAIRMAN. That is as far as the aged are concerned. But as I get your viewpoint, you look with misgivings upon an effort to extend the assistance program into other fields?

Monsignor O'GRADY. Into other fields, yes.

Senator KERR. So as to make it practically a universal system.

Monsignor O'GRADY. Yes. Because that brings the services of the Federal Government into every family in the United States. I think that involves serious implications from the standpoint of Government.

The CHAIRMAN. It has been suggested that the categories now be enlarged so as to take in permanent and totally disabled, which has your approval at least, as I understand it, so far as the bill goes.

Monsignor O'GRADY. That is right.

The CHAIRMAN. But it has also been suggested that it be extended so as to take in the temporarily disabled.

Monsignor O'GRADY. That is right.

The CHAIRMAN. And it has also been suggested that in the case of children who are still living with parents but who have not the same economic status or, let us say, a basic status, one which will give them the benefits to which they are entitled, they should be regarded as dependent children who have been deprived of the aid and assistance of the father through separation or death.

Monsignor O'GRADY. There is the question, there. At the present time they are available to children who have been deprived of the support of a parent through death, disablement, or desertion. Now, what they are proposing — —

The CHAIRMAN. Is to extend it beyond that?

Monsignor O'GRADY. Yes, to take care of children of the unemployed. Now I raise a question, there. I say that is getting the Federal Government into the field of unemployment relief, and that is a big and separate question in itself, and ought to be approached in another way. And it will virtually take the Federal Government into general assistance. It takes the Government into an uncontrollable field, in my judgment. We have Unemployment Compensation. We have work programs, as I pointed out before. And this winter we have stimulated industry, and we have tried to get the people working. We are not following up even on the present system.

I think it would be disastrous to include an unemployment relief under the aegis of aid to dependent children. Because we would have no follow up with these men. We couldn't tell whether they were unemployed or not. I question, not whether it is socially desirable to have the Federal Government go into it. I think the Federal Government has a responsibility for employment. I think we recognize that. We have the principle of full employment, which has been accepted by this Congress. And I think we ought to stick to that and approach it as an economic problem, in a way which will be in harmony with the dignity of the workingmen of our country, and not have ADC bogged down in a program of unemployment relief. That was debated all through the thirties and has been a debatable issue on this hill for many years, almost as long as I have been around here.

The CHAIRMAN. It is very clear to my mind. I am very glad to have your viewpoint on it. It is very clear to my mind that it approaches very close to a general assistance program.

Monsignor O'Grady. That has been my contention from the beginning. I participated in the discussion in the writing of this title V originally, and I raised that very question. Because after all, as you know, the leaders around here at that time didn't want general assistance. There was an effort on the part of a certain group, and we knew pretty well who they were at the time. They had a faint hope. If they brought it out as general assistance, they wouldn't have gotten anywhere, but it was a method of getting general assistance in by the back door. That is how I felt about it at the time, and we had a frank discussion of it in the groups that were working on this act in 1935. It has continued to come up because we have had a group of people in the United States who have been trying ever since 1935 to get us into this field of general assistance. We have opposed it because we felt that the other approach was more in harmony with human dignity, and less expensive in the long run.

We feel that this thing would become much more uncontrollable than any form of benefits based on rights. Because when you establish a benefit based on rights, as I understand it, you think about a basic floor of protection. But this public assistance concept launches us into a program that is larger than anything ever conceived by any government that I know about, with the view that you are going to take care, on an individual basis, remember, on a budget basis—income and resources on one side, needs on the other side—and you are going to spell out the needs of every individual in the United States, and you are going to administer a program on that basis. I don't think it is administratively feasible or desirable, and I think it is going to involve an expenditure that may readily engulf our economy. That is my honest and sincere understanding of that situation.

Senator KERR. May I ask you a question, there? Would not a provision to make a flat sum payment as a matter of right to the entire group of our citizens 65 years and over involve a greater amount?

Monsignor O'Grady. No; I don't think so, Senator, in the long run; not after we brought in this present group. Then we would have this contributory system, something to which the workers had contributed.

Senator KERR. But as to those now 65 and over and who would be put under the system, they would never make any contribution.

Monsignor O'GRADY. No. But I am pointing out this, Senator. Take those who came in in 1939 for payment of $3. That wasn't much of a contribution. But they were insured immediately.

Senator KERR. But what is the total of them, even including those who have made substantial contributions? What is the total now under old-age and survivors insurance?

Monsignor O'GRADY. Those that are fully covered, to use the term, which means that they may not remain fully covered—there are about 33,000,000.

Senator KERR. No; I mean those now receiving benefits.

Monsignor O'GRADY. Roughly about 2,000,000. I cited the exact figures.

Senator KERR. You did. But was it not nearer one million than two?

Monsignor O'GRADY. No, I think it is, including the survivors, including the widows and the children, it approaches 2,000,000. There are about 1,000,000 retired workers now receiving OASI benefits. Then there are about 800,000 orphans and widowed mothers receiving OASI benefits.

Now, I think it strange that a system that has been in effect for 13 years still only covers about 33 percent of the wage earners.

Senator KERR. Here is your statement:

> At the present time, 1,100,000 men and 800,000 women are receiving benefits under old age and survivors insurance.

Monsignor O'GRADY. That is right.

Senator KERR. There are, however, 11,200,000 over 65 aside from those institutions.

Monsignor O'GRADY. That is right.

Senator KERR. So that you have about 18 percent of the present 65 and over group covered.

Monsignor O'GRADY. Oh, you have about a fourth of the total. You have approximately 8,000,000 that are out of the labor market, Senator.

Senator KERR. But your suggestion would cover them whether they are in or out of the labor market?

Monsignor O'GRADY. No, I would cover those that have contacts with the labor market. We have had that experience before. We have had a precedent for it in railroad retirement.

Senator KERR. I am approaching it merely from the standpoint of what you said a while ago nobody had done with reference to other recommendations, and that is what it would cost.

Monsignor O'GRADY. No, I think the cost in the long run would be less. Because, as I see old age assistance in the States, it is going to keep on snowballing. You have, for instance, in Louisiana, 810 out of every 1,000, 65 and over, receiving old-age assistance. In New York it is 103 out of every 1,000. So here you have us bogged down in the States in hopeless discussion.

For instance, take the State of Washington, almost bankrupted by what they are paying. The State of California has prolonged the battle. There is the utmost confusion about this program in the States. And I think it is better for us to face it in this way, even if it does involve a considerable amount of expense, because it confronts us with the problem, instead of putting it off.

My contention has been that when we talk about this problem of the aged, we keep on talking about the aged who will qualify in 20 years from now. Now, if we were to consider, Senator, those that are in greatest need right now you would probably find that the top third of this number that I am speaking of, could probably pretty well take care of themselves right now. The chances are that they wouldn't accept this benefit right now.

So that what you really have to think about basically is the lowest two-thirds down in the scale. And when you begin to analyze the system, and you find that while 33 percent are permanently insured, if you take that lowest two-thirds, those in greatest need, you will probably find that only about 20 percent of them are covered under this system. I am not assuming that it doesn't involve some difficulties, but they are not as important, I think, as the difficulties we are now becoming involved in with the States. For instance, we are getting more and more into this new formula, which we support. We are getting up to 80 percent of the cost in the States. With the variable standards that are set up in the States, with the variable grants, I am not so sure that we are not approaching a pension by another route, so that it would be one pension over against another pension.

Now, you take the State of Colorado. They virtually have a pension. That is all there is to it. And in New York State, the individual social worker administers the needs test.

We are getting into so much confusion in this thing, in the States, that if we do not face this question squarely today, on a Federal level, we are going to sink deeper and deeper into all these debates in the States. Take the question of family responsibility, for instance. Why, in a number of the States, they have thrown out the whole question of family responsibility, thrown it out the window. And I thought we had settled that debate, and that we would develop a uniform pattern with a uniform floor of protection. I think I can establish a case for that as superior to the other. I am not assuming that it is a panacea. I don't pretend to have a panacea. A lot of able minds have worked on this thing, and I have had a chance in the

last 6 months of canvassing very large numbers of them. In preparing this testimony I must have talked to hundreds of people who have studied this thing for years. And I think if you get a poll of the experts in this field, they would vote for this approach now, rather than this constantly putting off including the present aged; and on a pay-as-you-go basis, too. Then we are facing the cost. We are actually facing the cost now. I think it is sounder.

I think the expenditures of the Federal Government in this field in the next few years are unpredictable. Suppose that these States with high grants should run into a pension movement? Take, for instance, New York State. New York State is no more immune than California is. And certainly California is pension minded. How much is it going to cost the Federal Government, I would like to know.

I would like to see somebody figure the cost of this assistance program, like they have tried to do with old age and survivors insurance, and take all the immeasurable things that they have brought into this thing, all of the things that are very difficult for anybody to measure.

I would like to see somebody study those things ahead and say, "What are we running into in the States? How much is this old age assistance going to cost?"

We call this a pension. I am not fully reconciled to the idea of assistance. When I campaigned on it first, with the Eagles, we used to call it a "pension," and I am not so sure but maybe it is a sounder approach than this assistance idea.

I think it is a question of weighing, Senator, one thing against the other. I believe, and I think the great majority of the experts who have studied this problem believe, in approaching it from this realistic standpoint. I would gradually withdraw the Federal Government from the entire field of assistance. Then let the States continue to supplement as they are at the present time.

We can't develop a program that assumes that the Federal Government is going to do everything. After all, as one of the great leaders of this democracy in the 1930's used to say, "You have got to leave something to the neighbors, to the churches." I assume you are not going to abolish all voluntary effort in the United States. You have to leave something to the local community. Because, after all, participation in this work on the part of the citizens, certainly, is part of our democratic way of life.

Senator BREWSTER. Something more than that, is it not? The Christian way of life?

Monsignor O'GRADY. The Christian way of life. And that is the way my life has been built, and the program that I have worked on for 35 or 40 years. I believe you are not going to have much of a program of any kind, government or anything else, if you do not have that conviction among you citizens, that voluntary effort.

Senator BREWSTER. If you had a system where every need of the child or the family from the cradle to the grave were taken care of by the Government, we would have a very changed system of society, would we not?

Monsignor O'GRADY. And above all, if you got it on that basis, the Government should attempt to provide all the advice and all the counseling for families. What kind of a society would that be if we were to say that the Government is responsible for every need

of every individual in the United States. That is the public assistance concept. You cannot get away from it.

Senator BREWSTER. Does it not imply, in the final analysis, a completely totalitarian regime?

Monsignor O'GRADY. Well, I think it is getting pretty close to it. If you have a Federal pattern that goes down to all the States, yes. Of course, they say the States will administer it, but I think those of us who have been in this work for a long time know what happens in practice. We are talking not about theory but about practice.

Senator BREWSTER. I was much interested in what you had to say. I am sorry I could not be here earlier, to hear all of it, but I was much impressed with what you said. I am particularly impressed, near the end, where you speak about universal coverage and the pay as you go basis, from which I gather that you mean that the Federal Government would take a certain elemental aid for old age.

Monsignor O'GRADY. That is right.

Senator BREWSTER. And they would recognize that as a problem that this society was now prepared to meet, and they would make some minimum contribution, which would go to every one who reached a certain age, with whatever exceptions you might provide; but that it would be a universal coverage?

Monsignor O'GRADY. That is right, universal coverage with a minimum that is definite and fixed. Then you are not going to become involved in these ups and downs in the States and in all the problems of family life in the States.

I know some Federal people who think that if they had a few more workers they could reform all these State institutions. It is tougher than that. You have to get the people in the States interested.

Senator BREWSTER. What you say does take account of the changing value of the dollar.

Monsignor O'GRADY. It does. I have struggled with these problems and talked with experts about them. I have done everything possible to figure out all the variables that enter into those formulas, and I don't see any man figuring out what this thing is going to cost in 1980, with the variations in the value of the dollar. What is going to be the value of the dollar in 1980? Who knows?

Senator BREWSTER. Is it not true that between now and 1900 we we have come to what is, for all practical purposes, a 30-cent dollar; and that if we fixed the amounts then, we would have had to have three times as much today?

Monsignor O'GRADY. That is right.

Senator BREWSTER. Whether we shall continue to a 10-cent dollar, or whether we will go back to a 50-cent or a 100-cent dollar, no one can tell in the next 10 years even, because of the changes.

Monsignor O'GRADY. That is right.

Senator BREWSTER. Is it not also true that geographically there is a wide disparity of needs between, let us say, Maine and Florida, to take an extreme illustration perhaps.

Senator KERR. That would be an extreme illustration, would it not?

Senator JOHNSON. At this time of year, anyway.

Senator BREWSTER. That is what I have in mind: that it takes a little more to keep a fellow warm up in Maine right now than it does in Oklahoma or Arizona or Colorado. And therefore, the idea of a Federal minimum, leaving then the remainder of the problem to the

States and local agencies, is much more elastic and much more practical.

Monsignor O'GRADY. Especially, if, as I pointed out, you know what it is going to cost you this year. Then if you want to make any improvement, if, for example, you want to eliminate the continuation clause, you know what it will cost you immediately. It will be registered in your budget estimates, so that you are not putting it off. That has been the greatest tragedy, I think. Of course, we are all responsible for it.

Senator BREWSTER. You would eliminate, as I understand, the needs test. You feel that is not only very difficult and expensive to administer, but does offer also grave dangers of maladministration, let us say, to put it mildly.

Monsignor O'GRADY. I am against any extension of the needs test. I am speaking now as an individual.

Senator BREWSTER. Would you not suspect, perhaps, that there were a higher percentage of Republicans on the old-age-assistance rolls in a good Republican State and a higher percentage of Democrats in a good Democratic State? Would that not be an almost inevitable tendency, even under all the restrictions we lay down?

Monsignor O'GRADY. I am inclined to think that it is becoming one of the toughest political problems in many States, and it is inevitable, especially with this growing volume of the aged. Remember here, this figure of 11½ million, 65 and over. I saw an estimate the other day which pointed out that in 1960 we would have 3½ million more. The number will keep on growing and the problem will become enormous. Therefore, I think we ought to face this day's problem now. And I think it is all right to think about those that would qualify 5 years from now, too.

Senator BREWSTER. But you would not, as I understand it, necessarily stop anyone over 65 from any gainful employment?

Monsignor O'GRADY. Oh, no. I think we have to really give a great deal more thought to this economy of ours.

Senator BREWSTER. You must be pretty near 65 yourself.

Monsignor O'GRADY. I am about 2 years from it. That is a matter of record. I can't change the record, you know.

Senator BREWSTER. And you do not expect to quit working then?

Monsignor O'GRADY. No; I don't think so. I think I will work until I die.

Senator BREWSTER. Well, I have found that to be the case with my own father. I had difficulty stopping him at 78. It was very hard to stop him from engaging in occupation. And that is true, I think, of very many people. You have, I think, about 3,000,000 that are gainfully employed, over 65.

Monsignor O'GRADY. About 2,500,000 men, and about 500,000 women.

Senator BREWSTER. You would not penalize them because they do carry on some occupation?

Monsignor O'GRADY. No. I think H. R. 6000 permits earnings of $50 a month. I have a little bit of question about that, because I am rather inclined to encourage them to work. I think we have to give serious thought to encouraging people to continue in gainful employment.

Senator BREWSTER. And you point out that there are many things that they could do which, perhaps, while not what they did when they were younger, would be very useful in society and should be permitted?

Monsignor O'GRADY. Yes. Because after all, you have to get back again to thinking about the fact that you cannot distribute more than you produce, except by cutting a little bit from each person's dollar, just like they used to do in the old days, when the king wanted some money, they clipped the coins, took a little off each person's coin.

Senator BREWSTER. We do a little "sweating" here when the dollar comes down to Washington. They do not get it all back.

Monsignor O'GRADY. Well, we are on a pay-as-you-go basis in this industrial system of ours, and I think we ought to face it realistically from year to year. That is my basic thesis at the present time.

The CHAIRMAN. We thank you very much. Are there any further questions?

Senator JOHNSON. I had some questions, and most of them have been answered, but I would like to clarify just one or two points, if the witness will be kind enough to assist me. I know he has been on the stand for quite a while, and I do not want to overwork him.

I understand the present laws place a sort of a premium on desertions by husbands. And you said something about husbands conniving, perhaps, or you hinted that husbands may connive with their wives, to disappear from the home.

Monsignor O'GRADY. That is right.

Senator JOHNSON. How would you remedy that?

Monsignor O'GRADY. Well, I think, of course, that it involves a very difficult administrative problem, and I do not think that with the present mentality we have in the agencies there is too much hope. Take, for instance, cash benefits. I have been working on cash benefits for disability in a number of the States recently, and I find that, for instance, in Rhode Island, after playing around with the thing for 3 or 4 years, and having all these questions of malingering, they finally got a group of about 15 workers who constantly kept on visiting these families that were receiving benefits. These were benefits based on rights, and there was a perfect understanding that the people receiving them had to be visited regularly. They couldn't do, for instance, what you do in unemployment compensation. The man has to present himself at the office and say, "Here I am. I am available for suitable work." There is some follow-up system. California is doing the same thing with its cash disability benefits. They have a group of workers that do nothing else except follow up, and they pick out families here and there. And they have been trying to get across to them the idea that, after all, they have obligations too, in respect to this benefit, and they are not to abuse it. I think the whole organization needs to be revamped; they have to have people who are constantly following up. It will not do to have a family get this benefit on the grounds that the man has deserted when he really has not deserted. I have an actual case in mind. I went around with the visitor, and I visited this family that was receiving aid to dependent children. The man was working and living in the home. I found him there.

Senator JOHNSON. Then your remedy is closer supervision?

Monsignor O'GRADY. Well, closer supervision, yes. And I think you need a different sort of organization, as I see it. Now it depends

so much on the attitude of the individual worker toward this family. Well, he may know that the man is around the corner. I have had workers point them out to me. They will say, "I know this fellow is around here. But you refer him to the courts, and nothing happens." I think they have to have more follow-up on their own, more follow-up with the families. Of course, H. R. 6000 has a provision which requires them to refer each case to the court.

Frankly, as I see it, locally the courts are busy, and they ought to have someone that follows this thing through. Maybe they need a different type of person, not necessarily a case worker, to follow up on these families to find out the facts as to whether or not the man is home. That is the real question.

I mentioned one case I ran into only last week. I heard of another case of a man who was working in another city, making a large salary as a chef. And the family was receiving aid to dependent children. He used to come back and forth to that family regularly. He hadn't really deserted his family at all. They were just in collusion. That is all there is to it.

Now, take this study which I read with interest, the study presented by the welfare director of your own State, Senator Johnson. And I think, still, the Denver Welfare Bureau, that I know quite well, needs to change its mentality, not only to get more workers but to change its whole mentality toward this program, if they are going to have it run properly and honestly. I don't mean cruelly. But I want honesty in it, and I want good administration. And I want much more rigorous administration than we have now. The present administration is not working out anywhere. I have not found a place where it is working yet. That is my point of view in regard to that, Senator. And I have said it in many places.

Senator JOHNSON. I have just one more question. I understood you to say that the old-age and survivors insurance really is not insurance. You had another name for it. I could not quite hear that. I understand you are very much in favor of an insurance program.

Monsignor O'GRADY. Oh, yes. I do not know whether "insurance" is a good term. I am in favor of a program of benefits to which workers have a right and to which they have contributed. Now, whether or not you want to call it "insurance" is a question. Because, for instance, take these folks now that are supposed to come in under H. R. 6000. A man with $3,000 income a year in 5 years pays in, let us say, $450. What does he receive? Well, if he has a wife he receives about $95 a month. He has a life expectancy of 12½ years. His wife has a life expectancy of 15 years. You can figure out how much he is entitled to. He gets virtually $100 a month for 14 years, and then his wife has an additional life expectancy of 3 years, so you can figure out how much is paid.

In other words, I think when we call this insurance, we ought to approach it realistically and say, "This is a contributory system." The man has contributed. I think that is fine. He has a feeling that he has an interest in this thing. He won't abuse it, because he figures it is something that he has earned in part. But, now, to assume that this man has paid entirely, Senator, is something else.

Senator JOHNSON. Of course, that is true as to any insurance policy. I might take out an insurance policy this morning at 10 o'clock and put the first payment down of $50 and insure my life for maybe $5,000,

and at 2 o'clock this afternoon I might be dead, and my heirs would collect the $5,000. Still we call that insurance. But I thought that you meant something other than just the name of it.

Monsignor O'GRADY. It was just the name.

Senator JOHNSON. The name does not make too much difference.

Monsignor O'GRADY. So long as we keep in mind the fact that this plan, you see, has a certain hazard. Take the life hazard. In insurance it means the payment of a definite and fixed premium against a large and quantitatively measured hazard. We know from our life-expectancy tables. You have to have so much ready. A group of people, let us say, are insured at 50 against a certain hazard. It may come to them tomorrow, or the next day, or the next day. Because all in all, we can figure out exactly how much they will pay in. We know from the life tables.

Senator BREWSTER. But this is just the reverse of the case the Senator mentioned. This fellow pays in, at 60, $400. Then all he has to do is live, in order to get $14,000, he and his wife. In other words, it is the very reverse of insurance. It is a gain that is bound to stick you; that is, from the standpoint of the Government. There is no doubt about it. If he lives, he wins. If he dies, he loses. Now, that is the reverse of insurance.

Monsignor O'GRADY. I just wanted to make it clear that the worker has not really paid for this thing entirely.

Senator BREWSTER. He has got something like 20 or 30 times what he has paid. He is bound to, if he lives.

Monsignor O'GRADY. I think maybe the highly paid workers pay about 10 percent for current benefits, and the other workers about 5 percent.

Senator BREWSTER. That is for the lower age brackets. But the fellows at the top are very much better off. That is, let us say, the man between 60 and 65.

Monsignor O'GRADY. Well, even the man at 50, who has had 15 years in which to accumulate a benefit, does not pay sufficient. Even the man in for 20 years does not pay sufficient.

Senator BREWSTER. To get what he receives?

Monsignor O'GRADY. Yes.

Senator JOHNSON. Is it your thinking that a man should only receive what he pays in?

Monsignor O'GRADY. No, no, Senator.

Senator JOHNSON. Or are you just talking about a name? I am not so interested in a name, because you might call a rose a sunflower.

Monsignor O'GRADY. After all, we have always had this idea of equity, the man's interest, what he invested in this system. That is equity. And then you have justice, the social end of it. In the beginning, we had a minimum of $10. A man got that anyhow. And that was the social end of it.

In other words, this man would not have earned sufficient for a long period of time, and his wages were too low. And you had to keep that in mind, just like you have all through this business, a balance between the equity of the man in the system and the social aspects of it.

Therefore, it might be called social insurance, more appropriately, than insurance. And that is what we have called this thing for

years. We call unemployment compensation social insurance. It is not rigidly insurance.

There is more or less of a relationship between what you pay in and what you take out, but, fundamentally, it has this social aspect. There is a question of how far you will extend that social aspect at any time and how far you will get the concept of equity.

Now, the concept of equity was more strongly entrenched in the 1935 act. You said that if the man did not qualify he got his money back. There you are getting more toward the insurance aspect, when you say that this man has a right and if he does not qualify he gets his money back. Your committee threw that out in 1939, and you said he didn't get his money back. Because, after all, there was a question of equity there, and he had been protected during all these years that he was in. Therefore, there was the question of the social values of it.

The CHAIRMAN. Thank you very much, Monsignor O'Grady.

Monsignor O'GRADY. Thank you.

(The prepared statement of Monsignor O'Grady follows:)

STATEMENT OF RT. REV. MSGR. JOHN O'GRADY, SECRETARY, NATIONAL CONFERENCE OF CATHOLIC CHARITIES

As a pioneer in social security, I now have many grave questions about its future. All the thinking and planning that found expression in the original Social Security Act of 1935 led us to believe that the basic economic hazards of old age and premature death were to be taken care of by a contributory system of social insurance. We recognized, of course, that this contributory system should not be based entirely on equity. Minimum benefits had to be paid to people with very low incomes and also to those who would qualify in a very few years. Now, what is the picture after a lapse of 13 years? About a quarter of the aged who have actually retired are receiving benefits under old-age and survivors insurance, amounting to $800,000,000 a year, while almost twice that number are receiving old-age assistance involving an expenditure of approximately a billion and a quarter a year. And not only is old-age and survivors insurance competing with old-age assistance; it is also competing with aid to dependent children.

What puzzles us at the present time is that at the most critical moment in the history of social security the Federal Security Agency is recommending an enormous expansion in public assistance and aid to dependent children.

PUBLIC ASSISTANCE

The Federal Security Agency apparently is not satisfied with the improvements made in the various forms of categorical relief by the increased financial participation on the part of the Federal Government in these programs and by the addition of a fourth category, aid to the permanently and totally disabled. The three existing categories already involve the Federal Government in State and local relief on a very large scale. In some places the part paid by the Federal Government amounts to as much as 70 to 80 percent of the cost. It was the thought of the original proponents of the Social Security Act that through grants-in-aid under the three categories, the Federal Government would be doing its share in meeting a need that was temporary and which eventually would be met by old-age and survivors insurance. It was felt that in the categorical relief programs the Federal Government was dealing with more or less controllable areas. The proposals of the Federal Security Agency made before this committee would bring the Federal Government into general relief. This would be a fundamental change in the established policy that would bring the Government into a field which is undefined and in which expenditures would be difficult to control.

Representatives of the Federal Security Agency tell us that this will be a temporary situation. From our experience in the past, however, we feel justified in concluding that instead of getting out of general relief they will get deeper and deeper into it. With an enormous expansion in the relief field in the States brought about by grants-in-aid from the Federal Government, public assistance

is bound in the very near future to engulf most of the voluntary social work in our country.

H. R. 6000 requires that all State public-assistance plans in which the Federal Government participates must include a training program for the workers engaged in the administration of the plans. The case for such a training program has been set out rather clearly in the 1948 report of the Federal Security Agency. The program, as the Agency envisages it, will involve not only assistance or relief but also services to be made available to all the people of the States, whether needy or not. It will include family guidance, housekeeper service, counseling in marital problems. This is certainly a new and a very broad field of activity for the Federal Government.

AID TO DEPENDENT CHILDREN

The Federal Security Agency recommends making over aid to dependent children into a program of unemployment relief. It was the thought of those who wrote the definition of a "dependent child" in 1935, that aid to dependent children should be confined to children who had lost the support of a parent through death, disability, or continued absence from the home, and that in order to receive aid a child had to be cared for by a parent or a relative in the second degree. There was a very strong feeling at that time that Federal assistance should be confined to clearly defined categories. The Federal Government had decided to get out of general relief. It was felt that the Federal Government's contribution should be through old-age insurance, unemployment compensation, a work program, and certain transitional forms of categorical relief.

There has been a great deal of criticism of the administration of aid to dependent children in many cities in the United States. Local investigations have brought to light cases in which mothers have entered into collusion with fathers about their disappearing from the home. Many times the husband was in the same city and earning good wages, but the mother was receiving ADC, nevertheless, on the ground of desertion. I have had occasion to visit such families in a number of cities. I have seen instances in which the father had returned to the home and had been supporting his family for a considerable time but those administering aid to dependent children did not know anything about it. Recently I came into contact with a family in which the father was earning $100 a week as a stereotyper on a local newspaper while the mother was getting about $150 a month under ADC.

This situation in the administration of aid to dependent children provides a further argument against any large extension of the program. The situation is most demoralizing to the family life of our people.

CHILD-WELFARE SERVICES

When the Social Security Act was first written, I, with other representatives of Catholic Charities in the United States, participated in the discussions in regard to title V, as we had in title IV, of the act. We thought about child-welfare services as something that was very dear to our people and to all the people of the United States. It constituted a very large part of our voluntary social welfare program. It grew out of the deepest religious convictions of the people about the rights of children to be brought up in their own faith. When it was pointed out that our services did not reach all the rural areas or all the areas of special need, our reply was that we had no objection to the extension of governmental services to those areas. In fact, we were just as much concerned about having proper services for the children in these areas as we were for the children under our own care. Now we are still concerned about the lack of proper services for children in rural areas and areas of special need. We find that too much of the effort of the Children's Bureau has been devoted to over-all State plans—to what is being done in big centers of population. The Children's Bureau keeps on pointing to the limitation of services in the big centers but many groups in the large centers have not been too keen about the type of services the Children's Bureau has to offer.

The agencies of our church throughout the United States have kept reminding me during the course of preparing this testimony that the basic interest of our church in social welfare is and has been, the care of dependent, neglected, and orphan children. We have made great sacrifices to maintain our agencies in this field. In a very large number of communities in the United States we have been able to make arrangements with local communities in regard to caring for our own children. These arrangements are entirely satisfactory to the local governments.

We receive from the local communities payment for part of the cost of the care of children.

In a very large number of communities in the United States our agencies, like other private agencies, are given priority in the care of our own children. This is part of the traditions and the laws of the various States. The type of priority that has been accorded to us and to other agencies in the care of children, might be illustrated in the program that has been in effect in Illinois and which was formally embodied in the statutes recently passed by the State legislature. The Illinois program enables our agencies and other agencies to make the best arrangements we can with local units of government for the care of our children. The voluntary agencies have an opportunity of covering as much of the field as they want, so that the government agencies play a supplementary role.

Now how does this system that has grown up in the States accord with the philosophy of the United States Children's Bureau? The Chief of the Bureau had this to say in her testimony before this committee on January 20: "Public funds should be administered through public agencies, which, however, may utilize the services of private agencies when appropriate to meet the particular needs of individual children for whom the public agency has responsibility."

Now this means that in a city like Chicago the Cook County Welfare Bureau would have to take over direct responsibility for the care of all the children that we are taking care of at the present time. They might, at their own discretion, contract with us for the care of a limited number of these children on the basis of their special needs. We can apply this same reasoning to many other cities in the United States.

Before the Children's Bureau is authorized to undertake any large expansion of its program of child welfare services there should be a clear understanding with the voluntary organizations already in the field as to areas in which child-welfare services financed by Federal funds should operate, the kind of services that are needed, and the relationship of these services to the voluntary organizations. We do not believe that the advisory committees proposed by the Children's Bureau can provide the type of planning that is necessary in this area.

INCREASED PARTICIPATION OF FEDERAL GOVERNMENT, IN CATEGORICAL ASSISTANCE

The representatives of Catholic Charities commend the increased financial participation by the Federal Government in the three categories of old-age assistance, aid to dependent children, and aid to the blind for which H. R. 6000 provides. We also commend the inclusion of the fourth category, aid to the permanently and totally disabled. We believe that this is a clearly defined group like the aged. We believe, however, that aid to the disabled should be based on a rehabilitation program. No relief should be given to a disabled person unless his case has been studied by a rehabilitation agency. Provision should be made for the purchase of services from both State and voluntary rehabilitation agencies. It is generally recognized today that all forms of disablement are relative to one's attitude toward them. Many people who heretofore have been regarded as totally and permanently disabled have become capable of self-support by constructive rehabilitation service.

OLD-AGE AND SURVIVORS INSURANCE IMPROVEMENTS UNDER H. R. 6000

We desire to commend the steps taken under H. R. 6000 in improving and extending old-age and survivors insurance. The addition of from 7,000,000 to 11,000,000 people to the system is an important step toward general coverage. The $25-a-month minimum for all the people included in the system is a very noteworthy achievement. We want also to commend the improved benefit standards provided for in H. R. 6000. We approve the extension of old-age and survivors insurance to the permanently and totally disabled.

H. R. 6000 has gone a long way toward providing a method of including voluntary nonprofit religious, charitable, scientific, literary, and educational organizations under old-age and survivors insurance. The workers in these organizations will be required to pay their share of the excise tax. The organizations may enter the system on a voluntary basis. Religious organizations want to participate in a program that benefits their employees, but they want to do so in such a way as to protect their tax-exempt status. If they were subjected to an excise tax in this matter, they might soon be subjected to other taxes which would make it virtually impossible for them to carry on their important programs. We recommend that the very desirable provisions of H. R. 6000 in regard to nonprofit organizations be approved by the Senate.

COVERAGE OF THE PRESENT AGED

While H. R. 6000 would provide for a large extension of the old-age and survivors insurance system it would do very little for the present aged. It may add some 20 to 30 thousand persons over 65 years of age.

Under H. R. 6000 we are providing quite generously for those who will qualify in 5 years and who have had full employment during this period. Through the $25 a month minimum we are proposing to take care of a sizable number of aged persons and survivors who have had very little contact with the system and who may not have paid more than a total of $3 to $5.

I have heard on all sides objections to extending coverage to the present aged. Some people will tell you that it is too expensive, but why can we not afford to show the same generosity to the present aged that we are willing to show to those who qualify in 5 years? I do not see any insuperable difficulties in the way of including the present aged. It would be by no means an impossible task to secure sufficient information from them in regard to their contacts with the labor market and their earnings. The $25-a-month minimum included in H. R. 6000 is an important step toward recognizing the social responsibility of the Government. Why can we not apply to the presently excluded aged the same principle that we are applying to those who have made token payments under the system? Under the 1939 amendments to the Social Security Act we admitted a considerable number of people for a very small payment.

According to the Census estimates, we have at the present time some 11,500,000 persons over 65 years of age in the United States. Of these, approximately 300,000 are in institutions. Of the 11,200,000 not in institutions, 5,300,000 are men and 5,900,000 are women. Of the men, 2,500,000 are engaged in gainful work, and, of the women, 600,000 are engaged in gainful work. This leaves 2,800,000 men and 5,300,000 women outside the labor market. There are also 500,000 wives of men in the labor market.

At the present time, 1,100,000 men and 800,000 women are receiving benefits under old-age and survivors insurance. Some 2,700,000 persons are receiving old-age assistance benefits, and of these about 200,000 are receiving old-age and survivors insurance also. We thus have some 400,000 men and 2,700,000 women who are out of the labor market and are receiving neither old-age and survivors insurance nor old-age assistance. If we add to this number the 2,500,000 on old-age assistance, we have a total of 5,600,000. If we add the 2,200,000 orphans and widows not included under old-age and survivors insurance we would have a total of 7,800,000. If we were to bring all of these under coverage in old-age and survivors insurance, even at the minimum provided in H. R. 6000 we would have an annual expenditure of $2,340,000,000. If we were to pay each $600 a year, it would mean an expenditure of $4,680,000,000.

I am well aware that the inclusion of the existing aged under old-age and survivors insurance would really mean universal coverage. At least it would include coverage of all those who have been engaged in any form of gainful employment. It would also include women whose husbands had been engaged in gainful occupation.

UNIVERSAL MINIMUM UNDER OLD-AGE AND SURVIVORS INSURANCE WOULD NOT MEAN ABOLISHING CONTRIBUTORY SYSTEM

The universal minimum that I am suggesting for including the existing aged would not mean the abolishing of the contributory system. I would still include contributions from employers and employees. I would retain the formula of H. R. 6000 which is designed to relate the worker's benefits to his length of time in the labor market, continuity of employment and earnings. I realize that the continuation formula that severely cuts the worker's benefits on the basis of time out of covered employment will not long be continued in the system.

If we had a universal minimum, with a superstructure that would relate the worker's benefits to his wage record and his length of time in the labor market, we would have a system that would be acceptable to all the people. While a universal minimum alone might be justified as satisfying all the objectives of the security program, I do not believe that it would be acceptable in this country. The workers feel that they have a vested interest in the system. In workmen's compensation and unemployment compensation they are accustomed to benefits which are more or less related to wages. They would have the same feeling about old-age and survivors insurance.

Under universal coverage in old-age and survivors insurance, the system could be set up on a pay-as-you-go basis. This would mean that each generation

would be brought face to face with the cost of maintaining its own aged. It would mean that any improvement made by Congress in the system would be immediately reflected in the budget estimates that would be submitted each year. I know that the immediate cost of taking care of the aged of our generation will be quite large. The problem facing the next generation will however be much larger. It may be that the immediate facing of the situation will confront us with new problems in finding employment for the aged rather than retiring them and placing them on pensions.

A system of universal coverage under old-age and survivors insurance will provide a definite demarcation between the responsibilities of the Federal Government and States in dealing with this very important issue. As the system is put into effect it will be possible for the Federal Government gradually to return to the States complete responsibility for public assistance. It is assumed that the States will continue with their own funds the assistance and services that will be needed to supplement the Federal program.

The CHAIRMAN. Mr. Waybur?

STATEMENT OF BRUCE WAYBUR, APPEARING FOR RUSS NIXON, WASHINGTON REPRESENTATIVE, UNITED ELECTRICAL, RADIO AND MACHINE WORKERS OF AMERICA

Mr. WAYBUR. Senator, I am appearing for Mr. Nixon, who wishes to express his very deep regret that he is laid low by a heavy cold today and could not appear.

I wondered, therefore, if we might submit his full statement for the record; and I will just briefly touch on some of the high points in it.

The CHAIRMAN. Yes, sir; you may.

Mr. Russ Nixon is the Washington representative of the United Electrical, Radio and Machine Workers?

Mr. WAYBUR. Yes, sir.

The CHAIRMAN. You may offer his statement to be put into the record, and you may proceed.

Mr. WAYBUR. Thank you, sir.

I think the main points we wish to bring out before this committee—and we appreciate the attention being given to this problem, which is very, very close to the hearts of all our members—are related to, first of all, the feeling we have that this is a very basic right, a very basic part of our American way of life. We feel it is, furthermore, a matter of social need. We cannot afford to have a society in which any large group is unprotected. And finally, we cannot afford, in our expanding economy, to have any large group which is not able to meet its economic needs and to make the purchases necessary to keep the economy functioning.

Having established that point, we would say the main question is: What are the standards which will meet those tests?

We would like to point out that the average benefit today paid to a person over 65 is little more than $3 greater than the States were paying in 1934. We looked back into the history of the act and found that a pension of $19.74 was being paid in 1934 under the State systems. And the Federal system, which was supposed to make a great improvement, is today paying an average of something like $22.54. We all know what the deterioration of the dollar, as Senator Brewster has pointed out, has done to the purchasing power of those pensions.

The next point we wanted to make is that the individual cannot, by himself, make adequate provision for old age. I am talking mainly

about old-age security here, although we are interested in the other provisions of the bill. For that there is ample evidence in the Federal Reserve Board surveys of consumer finances.

For example, in a prosperous year, in 1948, 80 percent of net saving was done by only 10 percent of our people. Half the families got less than the income required for the Department of Labor's family budget. The typical savings of all the American people was $300 per family. Only 5 percent held more than $500 in stock, and less than half owned insurance policies that would do very much more than pay for the costs of their burial.

There has been a great deal of interest this year and last year in private pension plans and collective bargaining. We feel we can say something specific about that, because we are very much interested. We are concerned to get improved protection for our members through any means possible, but we were reluctantly forced to conclude that these private plans cannot do the job. You have had abundant evidence, for example, from Mr. Ball, who used to be staff director to your Advisory Council, and from the Federal Security Agency, to the effect that these plans will cover only a small proportion of workers, because only a small proportion will work long enough for the same employer, and until the required age, to receive the pensions. The pensions will be available only for those relatively few who work for successful and generous employers. The benefits will vary from plant to plant and from industry to industry, regardless of need. The contributions and benefit rights will be lost if the employer goes out of business or if the worker should change employers.

Finally, under these plans there is a very strong tendency for the employer not to hire the older worker, whom he knows he will have to retire within a few years, or, conversely, there is a tendency, as workers reach retirement age, to find reasons to lay them off before they can receive their pensions.

We would underline Mr. Ball's estimate, that not more than 1 out of 20 of the younger workers today could ever expect to receive a pension. We feel that is a very important point to consider in these private plans.

We have had a lot of experience with them. I would like to mention, for example, in the General Electric pension plan, that many of those old people when they retired from the company have had to go to the poorhouse in Schenectady; also in Pittsfield; also in Lynn. They just couldn't make ends meet on the company pension. So they have to turn it over to the county poorhouse, and the poorhouse takes them in. We feel that is a very degrading way for those men, who have spent their lives in productive work, to have to live. We presented evidence to the House committee, from the welfare commissioner of Schenectady County, as to this fact.

Senator BREWSTER. You look forward, as I gathered from the longer statement, to a universal system. You believe that should be our objective?

Mr. WAYBUR. That is correct, Senator.

Senator BREWSTER. And would you then agree with Monsignor O'Grady to putting it on a pay-as-you-go basis?

Mr. WAYBUR. That is a financial detail. We don't pretend to be experts on it. It sounds like a good idea, on the grounds that the

economy at that time should bear the burden of caring for the older workers at that time.

Senator BREWSTER. Currently, and having in mind the changing value of the dollar; you recognize that?

Mr. WAYBUR. We definitely do. It doesn't seem fair for the people today to have to bear the cost of the pensions to be paid out 30 years from now.

Senator BREWSTER. And also, that the one who paid in money in the last 13 years pays in one kind of dollar and gets back an entirely different kind of dollar, a dollar which will only support him for 15 days a month instead of 30, as a result of the change in the situation.

Mr. WAYBUR. That is right. I was trying to bring out further that today's average bene it of $22 54 is worth $13 a month less than in 1935.

Senator BREWSTER. Precisely the point. And there is nothing to indicate that we can maintain a stable dollar. It can fluctuate one way or the other. And either way it results in cheating the worker.

Mr. WAYBUR. That is right. We feel very strongly that the pension must be geared to what it costs to maintain a decent standard of living. And there are competent authorities that can determine that, from health requirements, and so on.

Senator BREWSTER. Taking the general union organizations, in many it is very difficult, is it not, to arrange these private pensions, like the construction workers, and so on?

Mr. WAYBUR. Very difficult.

Senator BREWSTER. And also in the smaller industries, what would be the proportion of workers who might even conceivably be covered under adequate private pension plans?

Mr. WAYBUR. The question of adequacy is a big one.

Senator BREWSTER. Well, taking your $125. The $100 of course sounds very good, but as a matter of fact very few people qualify under it, do they not? Certainly hardly any would qualify today; because they have to have 25 or 30 years of service.

Mr. WAYBUR. On that $125 figure which we have recommended in our full statement, I wish to point out that according to President Truman's goal for the economy in 1954, of $300 billion of gross national production, that will work out on a per capita disposable income basis at $125 per person. And therefore we are asking only that the old people be given their equal share of what we produce.

Senator BREWSTER. You do not know whether that is in terms of present dollars, do you?

Mr. WAYBUR. That is in terms of present dollars. If the dollar changes again, we would have to change our standards.

Senator BREWSTER. In other words, it would be easy enough to have a $400,000,000 or a $500,000,000 national income, if we changed the dollar.

Mr. WAYBUR. Let us hope the increase will not be just an increase in prices.

I could point out, on this question of private policies, what has been done in the private life insurance field. There are some 21,000,000 workers who have group life insurance policies, but the average policy is only $1,800 per worker. And that just does not last very long, as we all know. And that is one of the reasons why we feel

that we would like to see our tax dollars and our pay-roll taxes go to provide a more adequate system through the Federal Government.

We hope that your committee, in its deliberations, will start from Commissioner Altmeyer's proposals as to benefits and coverage, rather than H. R. 6000, because I think the Commissioner moved back more in line with what your Advisory Council recommended 2 years ago, especially as to provision for the farmers and the farm workers, and also the scale of benefits.

In looking into the legislative history, we find that in 1935 Senator Wagner spoke before this committee in terms of blanket coverage. We certainly think that as long as there are large groups excluded we are going to have people moving in and out of covered employment and losing their rights. That cerainly is not fair.

On the last page of Mr. Nixon's statement I have summarized his recommendations, which I would like to read very briefly:

First of all, an extension of the Federal old-age pension system to all persons over 60, with liberalized eligibility requirements to protect workers who lack continuity of employment.

The second provision was urged by the members of the United Electrical, Radio and Machine Workers of America at their last convention. It is for a minimum primary benefit of $125 per month at age 60, with $60 additional benefits for each dependent.

The third recommendation is that each pensioner be allowed private earnings—this meets the point which Father O'Grady made, as to allowing the old people to work—which, together with his pension, will provide a decent living standard as determined by competent authorities.

The fourth recommendation is that until all people are covered by the Federal system, which must take time, the public assistance programs must inevitably fill in the gaps. We believe the standards provided in the public assistance program as to benefits should be the same as in the Federal program. They are supplementary programs; they shouldn't be competing or in any way different.

As to the fifth recommendation, we should like to see public assistance provide more adequate benefits for working mothers, maternity benefits, and more adequate allowances for dependent children.

Finally, we should like to see the disability insurance provisions strengthened to bring about more adequate care for permanent and temporary disability.

Thank you again for this opportunity to appear before the committee.

The CHAIRMAN. Thank you, Mr. Waybur.

(The prepared statement follows:)

SECURITY IN OLD AGE—STATEMENT OF RUSS NIXON, WASHINGTON REPRESENTATIVE, UNITED ELECTRICAL, RADIO & MACHINE WORKERS OF AMERICA (UE)

Provision for the economic security of older workers is very close to the hearts of UE members. We appreciate the action of the House of Representatives last year in bringing out H. R. 6000, and the prompt and serious attention which this committee and its chairman, Senator George are giving to the problem. On behalf of our members in the electrical, radio, and machine industry of America, I wish to express appreciation for this opportunity to present the UE's views on this important legislation.

Social security is basic to the American way of life

There can be no question in our minds that social security must be a basic part of what we call the American way of life. We owe security to our older people,

to our needy people, on the simple ground that we are a humanitarian, not a barbarian, nation. We owe it as a matter of social welfare, because we want a healthy nation, a healthy body of citizens. We owe it, finally, because our economy itself cannot be healthy while any large group of our people suffer want.

President Roosevelt put the matter very clearly when he said that in our day certain economic truths have become accepted as self-evident. "We have accepted, so to speak, a second Bill of Rights under which a new basis of security and prosperity can be established for all." Among these rights, he named "the right to adequate protection from the economic fears of old age, sickness, accident, and unemployment." This is what virtually all Americans have come to know as social security. Anyone who would cut our standards of social security, or fail to fight for their improvement, is what we called in NRA days a chisler; he is selling the United States of America short.

Social-security standards must move forward with the times

As rational people, we cannot allow our social-security standards to go by default. Yet this is essentially what we have done in failing to keep the Social Security System up to date.

This is a very practical question. We must decide whether we are going to have genuine security, or patch-work amendments to the system set up during the depression. To speak of an average old-age pension of $42.50 for a single retired worker, as would be provided by H. R. 6000, or $70 for a retired couple, as "social security" is to use a misnomer; such inadequate benefits can only maintain social insecurity.

What we do on social security has the broadest implications for our economy. Do we really mean to promote that mass consumption on which our huge industrial investment is based? Or are we willing to permit our 11,5000,000 old people—who will be 20,000,000 old people a generation from now—to exist on a subsubsistence level? These people make up 7.5 percent of our population today; soon they will make up 10 percent. In order to have a dynamic full employment economy, it is essential to have a rising standard of living for our older people.

But of course we are guided by more than narrow economic considerations. We hate human suffering—especially unnecessary human suffering. We hate the grief, the sorrow, the indignity which poverty inflicts on old people. And today we are aware more than ever before of the terrific human costs of anxiety which is bred by insecurity and broken homes. When Acting Federal Security Administrator Thurston testified before the Subcommittee on Low Incomes of the Joint Committee on the Economic Report last December, it was brought out that some 50 percent of hospital beds are occupied by mental cases—mostly old people for whom no adequate provision against insecurity was made in their productive days. We call these old people "queer." It is we as a nation who are queer for permitting them to end their days in such condition.

There is no excluse for permitting this crime against human dignity to continue in the wealthiest nation in the world.

The President has projected a goal of a 300 billion dollars economy within 5 years. The Council of Economic Advisers estimates that within 25 years we should have an economy of 500 to 600 billion dollars. In this context, we cannot rest content with the social security system as it was developed in 1935, when total national output was 72 billion dollars.

II

Private insurance and savings for old age are inadequate

The horse-and-buggy approach to old-age security was the view that people should save for rainy days and for old age. The depression knocked this argument into a cocked hat. As Randolph Paul has put it: "The worker who escaped unemployment in his youth and prudently saved was hardly any better off than the spendthrift. The sturdy virtues of self-reliance and frugality were no bulwark against cycles of depression. In bad times, bank accounts must be used for current living; loans on insurance policies must be secured or the policies allowed to lapse; equities in homes proved illusory protection. Mr. Justice Jackson has told the story of the ragged man on a park bench who, on being asked why he did not save for a rainy day, replied simply, 'I did.'"—Randolph E. Paul, Taxation for Prosperity, Bobbs-Merrill 1947, page 48.

Who can save when his income covers only his minimum living requirements? The Joint Committee on the Economic Report has shown that 45 percent of families in 1948 got less than $3,000 in money income; and 50 percent of single individuals got less than $1,000. People can barely live on such incomes, let

alone save. The Federal Reserve survey of consumer finances shows that in 1948 the lowest 40 percent of income groups all went in the red; 80 percent of net saving was done by the highest 10 percent of income groups.

The same survey showed that at the end of 1948, 20 percent of American households had no savings; and the median savings of all groups was a mere $300—enough to carry an old couple little more than 2 months in health and decency.

The FRB survey also showed that half of American households held no life insurance or held policies which on the average provided little more than the costs of burial. It was also revealed by the Federal Reserve Board that 92 percent of American households held no corporate stock, and the next 3 percent held less than $500.

Is more evidence needed to prove that even in a time of relative prosperity like the postwar period, most people can make little or no provision for their old age?

Are private pensions the answer?

As a trade-union, we are concerned to obtain adequate protection for our members from all possible sources. The extent to which the Federal social security program has been allowed to deteriorate in the past decade has induced many workers, in desperation, to seek some measure of protection through private retirement plans and health and welfare plans.

The recent pension plans and health and welfare plans negotiated in such major industries as steel, auto, and coal have served to underline the urgency of this need for more security than is now provided by the Federal system. These private plans will doubtless provide some degree of temporary and partial relief. But the privately negotiated pension plans are no substitute for an adequate Federal program.

I believe you are thoroughly familiar with the main deficiencies in the private plans. Commissioner Altmeyer has given you a comprehensive statement on that. So undoubtedly has Mr. Robert M. Ball, staff director to your Advisory Council at the time it made its comprehensive report in 1948, and now Assistant Director, Division of Program Analysis, Bureau of Old-age and Survivor's Insurance, Federal Security Agency. Private pension plans are deficient because:

1. Only a small portion of workers covered by private plans will work long enough for the same employer and until the required age to receive the pensions.
2. Protection is available only "for the relatively few who work for successful and generous employers, or who belong to well-organized trade-unions."
3. Benefits vary from plant to plant, and from industry to industry, regardless of need.
4. Contributions and benefit rights are lost if the employer goes out of business.
5. Contributions and benefits rights are lost if the worker changes employers.
6. Employers will not hire older workers, with prospect of retiring them after relatively few years of work; conversely, employers seek excuses to retire older workers prematurely as they near pension age, and thus cut them off from any pension.

Even for the relatively few workers covered by present schemes, Mr. Ball has estimated that not more than 1 out of 20 younger workers today could ever expect to receive a pension.[1]

Thus it is clear that there is no great advantage for unions to divert their collective-bargaining strength into the pension field where the returns are so small and uncertain.

Government pensions carry most of the load anyway

Private plans actually depend on the United States Government to put up most of the money over the coming years for the $100 pensions of which they boast. Eugene Grace, president of Bethlehem Steel Corp., has stated that the widely advertised 1949 Bethlehem pension plan will cost the company only an additional two to two and one-half million dollars per year for the next 5 years—which figures out at 1¼ cents per hour for 80,000 Bethlehem workers. If H. R. 6000 is enacted, the additional cost to the company would be practically nothing.

Mr. Grace has further let the cat out of the bag by admitting that "only a relatively small percentage of employees will normally receive pensions, because the great majority of them either die or otherwise terminate their employment before they reach pensionable age."[2]

[1] Washington News, January 9, 1950.
[2] Letter to stockholders, December 20, 1949, quoted in Journal of Commerce December 21, 1949.

To be eligible for a $100 pension (including social-security pension) a Bethlehem worker must reach the age of 65 with 25 years' continuous service under his belt. Without the most iron-clad seniority protection, it is all too easy for employers to find an excuse to drop a man as he nears retirement age. In the steel industry, the company need only contend that the worker is physically unable to perform his duties. "This clause," says the Journal of Commerce, "has tended to reduce the costs of the pension plan, under the scale of pensions paid by Bethlehem in the past."

Under the Bethlehem master agreement, dated October 31, 1949, no improvements in the pension plan can be negotiated for 5 years. But the company can terminate the plan after 2 years. Thus neither the worker, nor his dependents, has any protection worthy of the name under the Bethlehem pension plan, which has become a model for agreements throughout the steel and other industries.

Under the Ford auto pension plan negotiated last year, a worker must have 30 years' service by age 65. Allowing for normal lay-offs, a worker would have to work 35 to 40 years to get the required 30 years' service. No improvements can be negotiated in this plan for 5½ years.

Under the Philco Radio pension plan, workers must have 25 years' service when they reach 65. Most Philco workers are young girls and young men. The turnover in Philco is tremendous. The chances are overwhelmingly great that most workers now at Philco will never touch a penny from the present pension plan. Only four Philco workers are eligible for full pension benefits today. (IUE-CIO News December 19, 1949.)

Company pensions: Officials versus workers

For comparison, I am attaching a table of pensions for some officials in our industry. These huge pensions are usually figured in with those of ordinary workers when the company computes the pay-roll cost of pension plans.

At GE, President C. E. Wilson will get $66,000 per year on retirement. But a typical GE pensioner gets around $56 a month, including his social-security-benefit. In Schenectady, the home plant of GE, there are retired GE workers whose company pension is so inadequate that they have been forced to go to the poorhouse. In Pittsfield, Mass., home of another big GE plant, the public welfare commissioner has attributed much of the increase in public-assistance costs to the necessity of supporting the large number of recent retirements from the GE plants.

These illustrations should make it abundantly evident why American workers must look to their Government, and not their employers, to provide them adequate security against the economic fears of old age, death, and disability.

III

Federal pensions must do the job

It is therefore clear that the Federal Government, under the general-welfare clause of the Constitution, must provide the mechanism whereby the American people can effectively provide for their security in old age.

Although—as I stated at the outset—social security is so much taken for granted today; there was a time when it was not. It took the depression even to awaken the Government to its responsibilities, and even then the Social Security Act of 1935 provoked the bitter opposition of many employers who had learned nothing from the depression. Today, the idea of improving the 1935 act, of bringing it up to date, provokes new howls of indignation from a die-hard few. General Eisenhower has unfortunately allowed himself to be used as spokesman for these groups, and to argue for political purposes that social security will lead to "slothful indolence" and destroy liberty; that people seem to want "champagne and caviar when they should have beer and hotdogs"; that "if all Americans want is security, they can go to prison."

But I venture to predict that cooler heads will prevail, and that the vast majority of the American people and their representatives in Congress will continue to affirm the view expressed by Justice Cardozo in the majority opinion upholding the Social Security Act: "The hope behind this statute is to save men and women from the rigors of the poorhouse as well as from the haunting fear that such a lot awaits them when journey's end is near." [1]

Need for more security is great

As previous witnesses have established, our social-security system needs immediate and substantial improvements. The system set up in the 1930's was a patchwork system, designed to meet only the most urgent needs of a depression

[1] *Helvering* v. *Davis*, 301 U. S. 619, 1937.

situation. But even the limited protection it provided has been drastically pared away by 10 years of war and postwar inflation.

For example, in 1940 when monthly payments began the average benefit paid to a single person over 65 was $20.67. In June 1949 the average benefit was $22.54. The average benefit rose only 10 percent while consumer prices rose 70 percent. The financial protection provided by the act was thus allowed to deteriorate by more than one-third.

Reviewing the legislative history of social security, one wonders whether we have made any real progress in the standard of benefits provided. When President Roosevelt's Committee on Economic Security made its study in 1934, pensions under State old-age assistance laws averaged $19.74. That was in the depth of depression. Today, as I have mentioned, the average payment to persons over 65 is $22.54. In 15 years of recovery, war boom, and postwar prosperity, the average Federal pension has risen a bare $3 above what the framers of the act started with.

In purchasing power, the 1934 pension was worth $13 per month more than today's pension.

In proportion to national income produced per person (after taxes), the 1934 pension was 58 percent; today's pension is only 21 percent. This means the relative share of old-age pensioners in the pie has been cut by nearly two-thirds.

Framers of act urged more adequate benefits

These comparisons demonstrate that what was inadequate to begin with has been allowed to become still more inadequate. Let's go one step further and see how inadequate the benefits were to start with.

The Department of Labor reports that "even in 1940 (when monthly payments began) the amounts payable failed to provide basic security." [4]

I do not believe the framers of the Social Security Act had any intention of establishing benefits at the inadequate levels finally enacted. Senator Wagner, who introduced the social security bill (S. 1130) in the Senate, told this committee at that time that a benefit of $40 per month per person was "the minimum requirement for 'decent living' " and should, in his judgment, be accepted as "an immediate, minimum goal."

When Senator Couzens asked, "So that would mean $80 for an old couple: is that right?" Senator Wagner replied, "I should say so."

Secretary of Labor Frances Perkins testified that the Federal Government was probably not in a position to pay the whole $40 itself, but "if the State desires to raise the total pension to $40 or $50, there is nothing to prevent it."

Mr. (now Senator) Frank Graham, chairman of the Advisory Council to the Committee on Economic Security, testified: "You ask me if I am in favor of the old-age recipients getting $40 per month. I think we all are, if it can be soundly worked out."

Murray Latimer, chairman of the Subcommittee on Old-Age Security of the Technical Board, Committee on Economic Security, said, "$40, I grant you, would be desirable."

Unfortunately, the Seventy-fourth Congress compromised with the opponents of the bill, and enacted a benefit scale comparable to what the States were then paying (actual payment of benefits was deferred until 1942). If we had started with the $40 standard and kept it up-to-date, our social-security problem would be much smaller today. The shocking thing is that our Federal old-age pensions even today average $17 below what Senator Wagner urged in 1935.

Recognizing the limitations of the bill as enacted, President Roosevelt called it a "cornerstone in a structure which is being built but is by no means complete." Since then, we have let the cornerstone crumble in vital places. Entering the second half of the twentieth century, in a declining phase of economic activity, we can no longer afford the risk of a crumbling cornerstone.

The facts of the matter as disclosed by the Census Bureau are that 11,500,000 United States citizens are over 65 years of age; that one-third of them have no cash income; that the median income for the other two-thirds is $808 per year; that less than 2,000,000 of the 11,500,000 are now receiving Federal old-age pensions. Over 2,600,000 old persons who are completely unable to work are heads of families.

All these facts spell insecurity for those over 65. For those under 65, they spell the "haunting fear" of insecurity of which Justice Cardozo spoke.

[4] Monthly Labor Review, January 1950, p. 7.

$125 minimum pension needed today

The members of this union, through their 1949 convention, have urged Congress to provide a minimum benefit of $125, with $60 per month for each dependent and with coverage extended to all persons aged 60 or over. That would give an old couple a pension income of $185 per month, or enough to assure them a healthy and decent standard of living. It would give a single retired worker an income of $1,500 per year, which would guarantee that he would not have to turn his pension over to an old people's home or to a county poorhouse, but could live in the dignity befitting a retired American worker.

A $125 pension is not unrealistic. It is the kind of pension which is needed if our old-age pension system is to play its proper share in shoring up a vastly expanded economy and taking care of a steadily increasing proportion of older people in the population. $125 per month is actually no more than the per capita disposable income we shall have in 1954, according to President Truman.

We must get away from depression thinking

This prospect requires a bold and imaginative handling of our old-age pension problem. There is no room here for penny-pinching at the expense of the aged. Such penny-pinching could be costly to the whole economy. As Justice Cardozo said: "Needs that were narrow or parochial a century ago may be interwoven in our day with the well-being of the Nation. What is critical or urgent changes with the times." [3]

Above all, we must stop thinking in depression terms. It is not enough merely to restore social security benefits and coverage to the same relative position they held in our depression economy. We must think in terms of growth, of progress, rather than of harking back to prewar conditions.

As the Council of Economic Advisers observed in its Annual Economic Review, January 1950: "In the $250,000,000,000 economy of today, the social security programs are still largely adjusted to the $70,000,000,000 economy of 1935—the year when the Social Security Act was adopted. The interests of the Nation require that these programs now make an about-face and, instead of looking backward, look forward to the $300,000,000,000 economy that we can achieve within a few years and to the still larger economy which should exist by the time that most of those who are now working reach retirement age." [4]

Old-age pensions are one of those "automatic props" on which we can rely so much to prevent the present recession from turning into a depression. In the past year, Government "transfer payments" of $11,000,000,000 played a substantial part in shoring up the economy. But it is fatal to be "too little and too late." Transfer payments are effective in shoring up the economy only if they are adequate. In 1949, old-age benefit payments, including those to survivors, constituted less than 2 percent of Federal expenditures, compared with the 50 percent spent on various military and foreign programs. Yet OASI payments have a more directly stimulating effect on consumption than armaments expenditures.

H. R. 6000 is a step forward—but not enough

I trust that this committee, in its deliberations, will start with the recommendations of Social Security Commissioner Arthur J. Altmeyer and go on from there, rather than go back to the provisions of H. R. 6000. Altmeyer's recommendations are more nearly in accord with the social security platform on which the present administration ran for office in 1948, especially with respect to coverage. H. R. 6000, while representing a substantial step forward from the present system, is a backward step compared with the Altmeyer program and with the recommendations of this committee's distinguished Advisory Council on Social Security, which recommended, for example, the inclusion of farmers, hired farm workers, and all domestic workers.[5]

H. R. 6000 is basically an attempt to "catch up" with some of the more glaring inadequacies which have developed since the last major revision of the Social Security Act in 1939. It would by no means provide the comprehensive social security system required by the needs of the 1950 economy.

Benefits

H. R. 6000 would increase average benefits by roughly 70 percent. It would barely offset the increase in prices since 1940. It would not make up for the fact that benefits in 1940 were wholly inadequate even then. The Altmeyer program would improve the situation—though not enough.

[3] Op. cit.
[4] P. 119.
[5] S. Doc. No. 208, 80th Cong., 2d sess., pp. 15-18.

The average benefit for an old couple today is about $40 per month. I don't believe it was possible for two people to live decently on $40 per month even in the depression. Senator Wagner said they needed $80. It is clearly impossible to get by on such a benefit today, when the cost of living for an elderly couple, as estimated by the Federal Security Agency, averages around $140 per month for the most minimum health and decency budget. A 70-percent increase in the present average pension, to $68 as provided by H. R. 6000, would leave the couple only halfway toward $140. The Altmeyer plan would put them a little further along the way, but still not far enough.

Coverage

Despite the hopes of its sponsors for universal coverage—what Senator Wagner called "a blanket of old-age pensions over the entire country," the act has never covered much more than 60 percent of the labor force. Even that limited coverage was whittled down by the Eightieth Congress in excluding news vendors, outside salesmen, industrial home workers, taxi drivers, tailors, loggers, etc. It is not surprising that only 1,900,000 persons over 65, out of the 11,500,000 total, are receiving pensions.

H. R. 6000 would provide benefits for only about one-third of men now over 65, and only one-fourth of women now over 65.[8] It thus offers little hope for today's older population.

H. R. 6000 would add an estimated 11,000,000 persons to the 34,000,000 now covered by old-age insurance. But it would continue to exclude an estimated 13,000,000 persons, including farmers, hired farm workers, and domestic workers. It thus leaves unprotected some of those in greatest need.

As long as there are uncovered industries and occupational groups, workers will be robbed of insurance they have paid for whenever they shift from a covered to an uncovered job. We now have the shocking situation in which 80,000,000 workers have paid into the system since it was set up, but only about 43,000,000 could leave their families with death benefits today, and only 2,000,000 persons over 65 are fully insured.[9]

Even in covered employment, it takes six full years' work to qualify.[7] H. R. 6000 lowers this to 5 years, but "somewhat less restrictive requirements" are needed to protect workers who lack continuity of employment.

Retirement clause

H. R. 6000 improves the situation for the person who wants to work after 65. It allows him to earn $50 per month without losing his pension, instead of the present $15, between age 65 and 75. After 75, there would be no restriction.

However, an old couple with $50 in earnings and $68 in pension would still fall short of a decent living standard. It would be better to raise the retirement earnings test to whatever level is necessary to allow the pensioners the total income needed for a decent living standard.

Public assistance, child welfare, and disability

We are fully aware of the situation which has developed, through failure to modernize the social security system, in which there are twice as many people receiving public assistance as there are receiving old-age and survivors' insurance benefits. Thus what was intended as a supplementary program, to tide us through emergencies until the old-age and survivors' insurance system was fully established, has become in effect the main program in this field. As long as this is true, the public assistance program must be strengthened. I believe that both Commissioner Altmeyer and your Advisory Council have made worthy recommendations for improving the program.

Public assistance must be approached as the program which supplements the gaps in the old-age and survivors' insurance programs, until the latter are removed. As the framers of the act put it, "until literally all people are brought under the contributory system, noncontributory pensions will have a definite place even in long-time old-age security planning."[10] Thus for the time being, the benefit standards should be the same under both programs. We are especially anxious to see Congress enact maternity benefits for working mothers, and children's allowances for the 27,000,000 children of parents who earn less than $4,000 a year.

[8] H. Rept. No. 1300, 81st Cong., p. 174.
[9] Social Security in the United States, Federal Security Agency 1948, p. 36.
[10] Report of Committee on Economic Security 1935, p. 36.

Disability insurance

I want to say a word about the provisions of H. R. 6000 for disability insurance. If passed, this would be the most far-reaching change in the Social Security Act since its passage. It would particularly help older workers who are most prone to disabling accidents or ill health.

The principle established by H. R. 6000—that persons who are disabled are entitled to monthly checks as long as they are unable to work—for life if need be—points to a basic gap in the social security system. The problem is to work out an amendment which will fill the gap completely, not just partially. H. R. 6000 would cover only extreme cases, not the partially disabled or the temporarily disabled. The pensions paid even for total and permanent disability would be small—not more than about $50 per month. And no specific provision is made for medical care.

What is really needed is a national system of disability insurance for both temporary and permanent disability. All persons who depend on their work for a living should be covered. Payments should be enough to support a decent living standard. This should be financed from general revenues as well as by pay-roll taxes.

Summary of recommendations

To sum up, we urge the Congress to enact the following amendments to the Social Security Act of 1935:

1. Extension of the Federal old-age pension system to all persons over 60, with liberalized eligibility requirements to protect workers who lack continuity of employment.
2. A minimum primary benefit of $125 per month at age 60, with $60 additional benefit for each dependent.
3. Each pensioner to be allowed private earnings which, together with his pension, will provide a decent living standard as determined by competent authorities such as the Federal Security Agency or the Heller Committee on Research in Social Economics of the University of California.
4. Until all people are covered by the Federal old-age pension system, State public-assistance programs must fill in the gaps. Federal aid should be extended to provide the same benefit standards as in the Federal program.
5. Public assistance should include maternity benefits for working mothers, and children's allowances for low-income families.
6. Adequate Federal disability insurance for permanent and temporary disability.

Salaries, bonuses, and pensions of electrical corporation executives in 1948

	Salaries and bonuses	Annual pension upon retirement
General Electric Co.:		
Charles E. Wilson, president	$242,000	$60,000
Philip Reed, chairman of board	157,999	45,000
Ralph J. Cordiner, vice president	115,000	23,000
Westinghouse Electric Corp.:		
Gwilym A. Price, president	170,867	18,032
George H. Bucher, vice chairman	100,206	14,707
L. E. Osborne, vice president	99,510	11,713
Allis Chalmers: Walter Geist, president	75,000	12,000
Sylvania Electric Products, Inc.:		
Walter E. Poor, chairman of board	67,907	[1] 12,791
Don G. Mitchell, president	77,338	[1] 12,791
Phelps Dodge:		
Louis S. Cates, chairman of board (Phelps Dodge Corp.)	161,050	15,000
Robert G. Page, president	118,650	27,950
Wylie Brown, chairman of board (Phelps Dodge Copper Products)	105,050	12,950
General Motors Corp. (1947 information):		
Charles E. Wilson, president	440,029	25,000
Albert Bradley, executive vice president	376,325	25,000
O. E. Hunt, executive vice president	375,899	25,000

[1] Assuming 30 years' service at age 65.

The CHAIRMAN. I believe Mr. Schafer is the last witness.

STATEMENT OF JOSEPH A. SCHAFER, C. P. A., MEMBER, COMMITTEE ON TAX PRACTICE, PHILADELPHIA CHAPTER, PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Mr. SCHAFER. Mr. Chairman and members of the committee, I appreciate this opportunity of presenting my views. I wish to speak independently and impartially. As to my qualifications, however, I might say that I am a certified public accountant in Philadelphia, and a member of the committee on tax practice of the Philadelphia chapter of the Pennsylvania Institute of Certified Public Accountants. I do not represent any organization, however.

Senator KERR. You are speaking as an individual?

Mr. SCHAFER. I am speaking as an individual and on my own responsibility, on this subject. And what I want to say is merely in behalf of the old folks.

Now, as to the matter which I have to present, in the allotted time I may be able to merely review this statement which I will present for consideration.

These are the principles:

First. We must have an equitable system of social security, which should provide that every citizen without exception will be assured that when he reaches retirement age he will be able to live without want and fear no matter what his circumstances may be.

Second. The benefit to be received must be adequate to enable a person to supply all his vital needs without the necessity of appealing to the State, charity, or his relatives for assistance.

Third. The minimum amount should provide more than a bare existence, so that the recipient may continue to be a member of the economic system, by being able to purchase some other goods and services, which will have the effect of keeping other workers on the job to replace those goods, thus maintaining our productive capacity.

Fourth. By being able to retire with assurance of adequate security, a substantial number of jobs will be made available to the group of workers in their forties and fifties who are now seeking employment and are unable to get these jobs. As a result, they must remain on the unemployment-compensation rolls. On the other hand, they are more eager to work and are in better physical condition to do so than these old folks, who must struggle along in their jobs now.

Fifth. It is not true that all the old people enjoy working and want to keep on forever, but the opposite will be found to be the case if they were able to receive an adequate security. There should be no doubt that their energies can be diverted into other channels when they reach retirement age, and some may even be willing to devote their time and energy to worth-while projects and activities of a charitable nature in appreciation for a secure life in their late years. The theory of social security contemplates that every person will be able to live a suitable existence with at least a minimum standard; so that it is logical to infer that the purpose of social security was to take care of persons in the lower-income groups in preference to those in the higher-income groups.

It is illogical to operate the system in such a manner that persons of low income are compelled to provide security for those of high income, which is the fact at the present time. This is so because half

of the social security fund is supplied by employers who include in their costs and expenses the social-security tax they pay, and then pass along such costs in the prices they receive for the products sold to customers, many of whom are poor widows, and others, who are not covered by social security.

When it is considered that this process is duplicated, and even to a greater extent in the private company pension systems, which are built up by the prices paid by the customers, insult is added to injury, and the set-up is not only illogical, but it is ridiculous, in this supposedly enlightened age.

It would be proper to infer that we maintain a slave state, when a poor old widow who is barely able to eke out an existence must pay the price which will enable a millionaire executive to obtain a private pension of as much as $90,000 a year after he retires from a job that was paying him from $200,000 to $400,000 each year before retirement.

Now, in the same way it is also unjust for a coal miner who retired, say, in January 1946, 4 years ago, without a company pension, to have to pay 20 cents for every ton of coal he buys, so that some other miner, perhaps his next-door neighbor, can retire now at a monthly pension of $100. But the miner who retired at an earlier age is now 4 years older than the miner who retires this year, and it must be evident that he worked and suffered on the job every bit as much.

Now I have here several instances summarized to show the inequity of the present system. I might mention that these figures which I have here are based on a 40-year term at the age of 65. There are some exceptions, however.

Now, in the case of a widow of a doctor or farmer or grocer, there is no monthly benefit of social security. As to old-age insurance in Philadelphia, the average is $22. Old-age assistance in Philadelphia is $40. Old-age assistance in California, however, is $70. A blind person in Philadelphia receives only $40 monthly. A veteran, according to the proposed plan, gets $72, provided he is needy.

Senator KERR. What proposed plan?

Mr. SCHAFER. There is a proposed veterans' pension plan being submitted to the Congress for consideration.

Senator KERR. Then you are referring to the one which is in a bill now in Congress, and not to a local matter in Philadelphia?

Mr. SCHAFER. No; this is proposed in Congress, a proposed plan, which will give $72 a month to a veteran, providing he is poor and needy.

Now some other of these workers receive various sums, $42, $47, and so on and so forth. A glass worker now receives perhaps a maximum of social security of $56, but in addition will receive a company pension of $115. Here, in this case, they are doing better than some of the other unions and the coal miners. So naturally, when you see that, you can be assured that these other unions are going to yell for more social security and company pensions. Steel workers, of course, and some of the other classes, are assured $100 now, combining the social security and the company pensions.

A fireman in Philadelphia would receive $125 per month, and his retirement can be at the age of 45, after 20 years, when he is just a young person, you might say. And I might state parenthetically that most of these people that retire at such an early age later go into

other work, so that they get their retirement benefits as well as earning money on new jobs.

Senator KERR. As I understand it, you are not criticizing these illustrated plans, or these plans you are referring to and using as illustrations. You are criticizing the fact that there is not an over-all system that does provide an equitable program for all?

Mr. SCHAFER. This list is so mixed up. Everyone gets something different.

Senator KERR. I say, are you criticizing the fact that you have a firemen's retirement program in Philadelphia?

Mr. SCHAFER. Not at all; no.

Senator KERR. Well that is what I was asking.

Mr. SCHAFER. No; I am merely pointing out the inequities in this list.

Senator KERR. Well, you are pointing out the differences, let us say.

Mr. SCHAFER. That is correct. Now I will say that it is an inequity as to the fireman, because if the fireman is not killed in line of duty his widow receives nothing except a refund of his contributions.

Senator KERR. You mean if he is killed in line of duty?

Mr. SCHAFER. Not in line of duty; if he has a normal death. In other words, if he drops dead, for instance, they would have to ascertain whether that was caused by his duty or some other reason.

It is the same way with a policeman. A policeman can retire after 20 years at the age of 50 and receive $143. So, you see, he is getting more than the fireman. But he contributes more to his plan. But the widow of a policeman also will receive nothing but a refund of contributions in case of his death, except in the line of duty.

Senator KERR. If the death is not in line of duty.

Mr. SCHAFER. Not in line of duty.

A Federal worker, for instance, receives as much as $150 a month based on an average salary, as I have here, of $292 per month. However, the contribution there is 6 percent. But retirement, again, can be at the expiration of 30 years, at the age of 60, or it can be after 15 years at the age of 62. So you see, we have everything all mixed up.

I just want to point out a couple of instances of executives. Here we have a retired executive who was making over $16,000 per month, and now he recieves a company pension of over $7,000.

Senator KERR. A pension of $7,000 a year?

Mr. SCHAFER. A pension of $7,000 a month, company pension.

Senator KERR. Where is that, on your statement?

Mr. SCHAFER. On page 4.

Then we have another steel-company executive who was earning $17,000 per month. When he retires, he will receive $6,400 per month. In one of the automobile companies, the executive will be entitled to $2,000 only, per month, when he earned $37,000 each month.

As to this last item, the reason he receives only $2,000 is because in his company the pensions are limited to $25,000. But in some of the other companies, the officers and directors, supported by their own stockholders, for instance, refuse to give up their rights to the pensions which are on the record. They won't come down, and even limit them to $25,000. So as a result, some of these executives can receive $90,000 a year.

So that if, when they retire, they receive $90,000 for 12 years, they will have received over a million dollars from the general public.

Senator KERR. How do you figure that, now? If his company pays it to him, how do you figure that the public is paying it to him?

Mr. SCHAFER. The entire pension cost is included in the company's costs and expenses, which is evident in all of their annual reports.

Senator KERR. But it is not a compulsory public contribution.

Mr. SCHAEFER. No; but the public, or rather the customers, must furnish the funds that are required, through the price they pay for goods; for the reason that all pension costs are included in costs and expenses of production.

Senator KERR. If he got $90,000 a year, how much of that does the Government get?

Mr. SCHAFER. Well, the Government would receive a considerable amount, and it might be as much as approximately 74 percent, which might be some $50,000.

However, if you want to dwell on company pensions, there are two reasons, I might state, why they like these deferred compensation payments after they retire. One is that their income taxes now are much more, if they receive this money as salary or dividends, than when they pay income tax on it years later when they retire, because they won't have their annual salary; they will have only their pension on which to base their income tax. So there is a tremendous saving in that respect as far as they are concerned. And in many cases, I might say, the entire pension cost is paid through taxes. Instead of companies having a tax bill, they divert the funds into pension systems, so that as a matter of fact in some cases it doesn't cost the company anything. They get reduced taxation.

However, to go on with my principles, here, I would say that it is an awkward situation when every house on a street receives a different amount for the same purpose, which is to live in peace without want during old age. This situation is un-American and can no longer be tolerated. There must be no distinction in old age, since every person should be entitled to a minimum standard of living. Beyond that minimum, it is to be expected that a person will have the ability to supplement his income through savings, insurance, or other forms of investment; so that during old age he will be able to supplement his income.

The only answer to this problem is to provide a system that is based on universal coverage, with a uniform amount of benefit. A universal system of social security would be most sensible, practical, economical, and equitable as a manner of providing for old age.

One benefit that might result from this is that if you provide for all the old folks through this old-age-benefit system, they can be separated from the assistance rolls. And it would be much more desirable to do this, because then the assistance feature in these State programs could be spotlighted, and we could know exactly how much we are paying for assistance instead of for old age.

Now, in the city of Philadelphia, we receive $12,000,000 a year of Federal funds going into these public-assistance programs; so that it is impossible for the authorities to eliminate the chiseling that is now going on under this set-up. And one way would be to segregate the old folks and bring them in under old-age benefits instead of under the assistance program.

To get on with the proposed system which is under consideration here in Congress, Government officials have stated that to expand the

social-security system to cover 20,000,000 additional persons, consisting of agricultural workers, domestics, and the self-employed, the cost of collecting the social-security funds would reach $40,000,000. To include another 10,000,000 persons presumably would cost an additional $10,000,000. The present cost of administration, of $48,000,000, would be increased, under that expanded program, to $110,000,000.

A universal system, on the other hand, could be administered with the greatest simplicity, for a cost of $10,000,000, making possible a saving of $100,000,000, which would be available to be paid out to the old folks.

As to the workers that are covered, there are now 34,000,000, approximately, under the present system. But 86,000,000 accounts are being maintained to record the credits to which each person is entitled. If the program is extended to include 30,000,000 additional workers, it may be assumed that 64,000,000 persons would be covered. But that still would leave many people outside of the system without security. However, the total number of accounts of individuals that would be maintained would probably reach 120,000,000 accounts, and it is reported that the cost per account is 12 cents.

Going to pension plans, now, I would like to quote some statistics of the Internal Revenue Bureau, based on analysis of applications for approval of pension and profit-sharing plans up to August 31, 1946, which will show the growth of this method of retirement security. I might say that there has been no further study after August 31, 1946, and I believe it would be well to recommend that a further study be brought up to date on this matter of company pensions and profit sharing plans.

As to the approved plans in effect, prior to 1940, there were 659. As of November 30, 1949, there were 13,128. I might include in there that on August 31, 1946, the date of this study, there were 9,370 plans.

These figures, which I might mention in connection with this study, are based on information presented at the time of application for qualification, without adjustment for subsequent expansion in number of employees or participation.

Prior to 1940, 61.6 percent of the employees working where such pension plans were in existence were covered under the plan, whereas by August 31, 1946, only 33.3 percent of the employed workers were included in the pension plans. When it is considered that only about 10 percent of those participating will survive to receive benefits, it can be seen that not many of the 33.3 percent, who think they will benefit, will receive anything. It is to be hoped that the experience after the 1946 study is more favorable.

Of the 3,657,271 employees who participated in approved plans at August 31, 1946, 1,860,430, or 50.8 percent, did not have any vesting privilege before retirement. Therefore, half of the covered employees would not receive benefits unless they survived and worked for the company at the date of their retirement. Only 5.2 percent, which is less than 200,000 of the covered employees, were entitled to full vesting privilege before their retirement dates, and thus would receive benefits if they left their jobs at an earlier date.

The above indicates that a considerable portion of the labor class may be misinformed about their ultimate benefits, and instead of

annuities or deferred compensation at retirement, they would be much better off to participate in profit-sharing on a current basis, and leave their security to the Government under a proper system.

The payments that are being made for social security and pensions of employees in the various corporations have reached enormous amounts. I have summarized here some few companies.

In the American Telephone & Telegraph Co., for instance, they paid into the trust fund in the year 1948 $126,000,000. Their old-age-benefits payment was $16,600,000 in the same year.

The Bethlehem Steel Co. charged for social security and other benefits in the year 1948 $11,000,000. Now, their costs for pensions vary for different years, because in some plans they have an option to increase it or decrease it depending upon how they wish to make contributions into the pension plan. And, of course, no doubt there is a tax consideration involved. In the year 1947, for instance, the charge for pension cost was $6,400,000, whereas in 1948, it was $3,500,000.

I will point out another company, the General Electric Co. They paid into the trust fund in 1948 $34,780,000.

I might also mention the du Pont Co. Their total pensions, insurance, social security, and other benefits in 1948 were $49,570,000.

In the United States Steel Corp., the estimated cost that I have seen reported for proposed insurance and pensions totals $78,000,000.

Now, the addition of all these funds, aggregating more than a billion dollars each year, has increased the pension trust funds of corporations to stupendous heights. The amount now carried in the pension trust fund of the American Telephone & Telegraph Co. is over $1,000,000,000, and that provides for only 75 percent of the actuarial requirements. No doubt it is felt that the balance of the actuarial requirement is not needed, at this date at any rate. The balance in the pension fund of General Electric Co. as of December 31, 1949, is $200,000,000. Using these amounts as a guide, it may be estimated that there are billions of dollars in the more than 13,000 private pension trust funds. The creation of such vast funds under the control of corporations is fundamentally unsound and dangerous. What will be the situation in the near future when the accumulated funds in these private systems reach $10,000,000,000, in addition to the funds of $40,000,000,000 in the various governmental retirement systems?

Senator KERR. Well, that is an interesting question. Suppose you answer it for us.

Mr. SCHAFER. The funds will have to be invested somewhere. They just can't keep them in the vault.

Senator KERR. The question is: What will be the situation?

Mr. SCHAFER. That is correct. Now, what are they going to do with their funds? Are they going to buy up all of the securities, or are we going to create additional properties, you might say, or companies, in which they can invest their funds?

Or, on the other hand, will all of those funds, the billion dollars of funds, be invested in the debt of the United States? Will that encourage creation of debt? And, on the other hand, will it create a situation where these tremendous funds under the control of corporations and their executives will be used for perhaps unethical methods in monopolizing industry, or for other purposes? That remains to be seen.

Therefore, I would recommend that a study be made of that situation: What is the total amount in the pension funds? How will it be invested?—so that the Congress and the people will have something to go by, and so that they can understand what is happening with billions and billions of dollars of funds.

Now, the maintaining in the near future of perhaps 17,000 private pension systems and perhaps 3,000 Federal, State, and municipal retirement systems, every system being different, with perhaps $50,000,000,000 of funds on hand to pay benefits to the aged, will be a monstrosity that cannot be tolerated.

It might be pointed out here that whenever additional persons are brought under the social-security and private pension systems, to that extent will the persons not covered have to increase their support of those systems. That is, if 10,000,000 persons are added to social security, half of the burden will be on those who pay for the price of goods, among whom are those not in the system. And if manufacturing companies install pension plans for 1,000,000 employees, perhaps the entire cost thereof will be supplied by the customers who purchase the articles produced. Under such a policy, those who are not covered because they do not belong to a system will have to furnish part of the funds for those who are covered, first for 35,000,000 workers, then for 10,000,000 additional workers, the next time for another 10,000,000 persons, so that in the end some unfortunate individuals will be paying for the security of everybody else but themselves.

The time has arrived when it no longer makes sense to expect that some of the people should contribute, either directly or indirectly, to the social security and private pension funds for the benefit of other classes of people unless they also are eligible for benefits.

As long as we have a system which remains inequitable and inadequate, we will continue to have strife, turmoil, and suffering. There is no other way except to assure every citizen ample security in old age through a universal system.

Payment for security in old age must be placed on a current basis, because it is impracticable to have 100,000,000 people paying into vast trust funds that would be accumulated for years as actuarial reserves, to be paid out many years later, to unknown beneficiaries.

On a current pay-as-you-go basis the entire amount to be paid out in benefits to those who are 65 years of age will be collected during the same year through taxes. This is no more than requiring every person subject to tax to furnish the funds for those who have retired. In that manner, the younger generations will be supporting the older generation.

It must be demanded without equivocation that the children and grandchildren be made to support the parents and grandparents in their old age by means of an enforced social-security system. There is no doubt that many persons today are evading the responsibility of supporting their relatives and hope to continue the practice of having the State or others shoulder their obligations. That practice should not be permitted to continue.

I have heard of some cases where they have perhaps eight or so children in the family, where those children refuse to support their old parents. There certainly is not any justice in that. And if the

system permits that and lets these people evade their responsibility, there is no reason why we should keep on the same way.

Under this plan, the current taxpayers can see for whom they are paying, and perhaps will have greater respect for old age, knowing that they may reach that status in later years. In effect, it may be considered that those who must pay now are merely contributing currently for their own deferred security when they reach the prescribed age.

By means of collecting social-security funds through the income-tax system, not one additional dollar of expense would be incurred for such collection. It does not cost any more to collect income tax of $1,000 reported on a tax return than it does if that same tax return showed $100 of income tax due. But to maintain accounts for every person in the country and continue the present method of social-security tax collection, the cost will perhaps be $100,000,000 more, as stated before. Moreover, millions of employees would be dispensed with and be available for productive work. And that might seem like a large figure, but I would include in that, theoretically, then, not only the Government employees who could be dispensed with, and the State employees who are working on retirement plans, the municipal retirement officers, and the public-assistance officers, but also, the company social-security employees and pension-plan employees. So perhaps the figure might be justified. That, however, is merely an opinion as to the number.

However, when the time comes that we should need manpower, as in the event of another conflict, we certainly do not want these million people writing figures in accounts and records, when they will be needed for more vital work.

Collection of social security funds through income taxes is entirely proper and fair, because it is based on the ability to pay; and it should be considered that any one earning $100,000 a year would not be able to earn that sum without the contribution to the economic system of the lower income groups.

I might state here that in order that all persons can be placed on an equitable basis, it may be desirable to refund to those participants in Federal, State, municipal, and other retirement systems any excess over 1 percent of salaries which they have contributed during past years. That would apply to Government, railroad, and other employees, some of whom have been contributing as high as 6 percent of their salaries. Any part of the fund that is supplied by the general public would not belong to those participants, and they would not be entitled thereto.

It is necessary to realize that the people of this country no longer wish to tolerate a system which is not complete and adequate to afford the proper security. It is impossible to continue in helter-skelter fashion on so vital a problem. The time is not available to skip along from one year to the next, each time trying to patch up a major undertaking by a small adjustment. The time is short, and there must be no dilly-dallying in attacking the problem. The people on the outside have been patiently waiting and are expecting the right solution.

The Congress must take definite steps to install only a system which is proper and which will be fair and just to every citizen without distinction. This committee must have the courage to take the required steps this year. The steps that are taken must be geared to

living in the year 1950, ignoring a certain element of resistance which labors under a mistaken notion that we must continue to live as though we were back in the 1920's.

If it is desirable to extend subsidies amounting to billions for the benefit of the farmers or to obtain needed housing, then it is just as desirable to subsidize our old folks, if deferred security contributions can be called a subsidy, in order that the aged will be more than a drag upon our economic system. If possible, I would like to inject in here also, as to the theory that we should take care of all the poor and old people all over the world, which will cost this country many dollars, that first of all we have a duty to our own people in this country.

Now, in conclusion, I just want to state briefly the words of John L. Lewis in reference to pensions, that

> This was the dream, to bring some dignity and security to tired and aged coal miners who had spent their lives underground in the never ending and thankless quest for coal to keep the American economy alive.

Those words apply equally as well to those coal miners who retired before May 29, 1946, and they also apply to every citizen in the country who has worked and strived all through the years until he is bent and worn out to make this a better place to live.

If Paul G. Hoffman can say that the efforts of the Economic Cooperation Administration had been concentrated on helping our European partners "battle against hunger, poverty, desperation and chaos and on restoring conditions under which people may live in decency, dignity, and freedom," then it is more proper to declare as a principle that priority belongs to our own citizens to make certain that their hunger, poverty, desperation, and chaos also can be alleviated, and that they will be able to live in decency, dignity, and freedom.

Only if we have a suitable and all-inclusive program of security for the aged can we claim that our country is being run according to the American democratic way of life with equal opportunity and justice for all. In that event we will be able to say that our own house is in order, and the rest of the world will want to follow our example.

That is the end of my statement, which I have submitted to the clerk, in addition to an original statement which was prepared for last year.

Now, in last year's statement I group all of our funds together, the same as if we put it all in one basket and then distributed it equally. Under that system we will take in the present cost of social security the present cost of old-age assistance programs administered by the States, the savings of millions of dollars because of replacing two antiquated systems with a simplified system, the present cost of the private pension systems, and the additional income taxes which would result if corporations were not permitted to deduct private pension plan costs, because of the fact that the Government will take over the entire program for the retirement of old people at the age of 65.

Now, as to the cost, last year's figures, which I have, show that our present cost is close to $5,400,000,000. That, however, has been increased this year, because there is a greater contribution of pension costs in the corporations, to cover employees, and some of the other expenditures are also greater.

Offsetting that, we would have to pay out, according to what I want, which is on a basis of $70 per month to all persons over 65,

a total cost of $8,400,000,000, leaving approximately $3,000,000,000 of additional benefit payments, which would be over what our present cost is. However, deducted from that would be the savings in the administrative expenses, plus the additional income taxes, so that I would say that we could eliminate $500,000,000 from that additional payment. The remaining funds which would be required should total approximately $2,500,000,000.

Now, however, offsetting that again would be additional benefits, such as the reduction of public assistance programs for the aged, the grants to hospitals and other charitable institutions for the care of the aged; because if we covered them, they would have the money to pay for their hospital service. And one of the directors of a hospital in Philadelphia told me that as much as 25 percent of the people that are supported with medical attention are the aged people, so that he would expect to receive funds from this Government program in some way if that is done.

Now, also, we could alleviate some of the unsatisfactory conditions in the slum areas, to the extent that we give funds to the aged who are living in those sections. And then again, there is the important point that the employers' expenses will be eliminated as far as maintaining detailed social security records are concerned. That whole system could be eliminated, and save tremendous expenses for the different companies.

Now, that is the extent of my statement, but I just merely want to say that if we take care of these old people, they can be once again free and independent human beings, living a contented and comfortable life, without looking to some one else for their next dollar. And again, they would not be a burden on their immediate families or relatives, if they were taken care of under a proper program.

The CHAIRMAN. The committee thanks you, sir, for your appearance.

We will have to recess now until 10 o'clock tomorrow morning.

(Thereupon, at 12:55 p. m., the committee recessed until Thursday, February 2, 1950, at 10 a. m.)

SOCIAL SECURITY REVISION

THURSDAY, FEBRUARY 2, 1950

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

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George, chairman, presiding.

Present: Senators George (chairman), Byrd, Kerr, Millikin, Brewster, and Martin.

Also present: Mrs. Elizabeth B. Springer, Acting Chief Clerk, and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will please come to order.

It will be necessary to start on time, and perhaps some of the other members of the committee will come in.

I offer for the record a statement submitted by Congressman John R. Walsh of the Fifth District of Indiana, with respect to the gross-income-tax section of the bill, S. 2181, known as the Townsend bill. Congressman Walsh's statement will go in the record as part of the morning's hearing.

(The statement of Congressman Walsh follows:)

STATEMENT OF HON. JOHN R. WALSH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

MR. CHAIRMAN: I have asked for this time from your committee to testify as to the gross-income-tax section of the Townsend bill, S. 2181.

I am a Member of Congress from Indiana, and as Indiana is one of the very few States having a gross-income-tax law, I have had some fair knowledge of the Indiana gross-income-tax law.

The Townsend plan for national insurance provides that there shall be levied and collected and paid a tax of 3 percent of the gross income of all persons or companies derived from any and all sources, except in personal income there shall be an exemption of up to $250 per month.

The Indiana Gross Income Tax Act was enacted by the Indiana State Legislature in 1933, and at a time when the State was operating in the red. This Indiana bill provided for the enactment of a gross income tax on all income received by residents of Indiana. The act provided for exemptions of $1,000 for each individual and $3,000 for the retailer. The rate of tax is placed at one-half of 1 percent on the retailer and 1 percent for all other persons. It is now estimated that the Indiana gross income tax provides more money for the State treasury than any other three taxes combined that are levied by the State. It also distributes the burden fairly among those citizens best able to pay.

At present the Indiana gross income tax brings in about 64.5 million to the Indiana State treasury, and this is about 38 percent of all the money the State raises by taxation. This gross income tax, small as it is, brings in more money than the State's gasoline tax, cigarette tax, and tax on alcoholic beverages combined.

Indiana would never have voted an additional gross-income tax recently to pay for their soldiers' bonus if its experiences with the original tax had not been completely satisfactory, thus avoiding a bond issue which would have been far more expensive.

When the gross-income tax was first adopted in Indiana, throughout the State was heard the cry that the people could not pay this; that the tax did not take into consideration the earnings of the individual or the corporation. However, within only a few months the State was solvent and on a sound footing. The tax has been found to be popular and everyone pays the same rate. The tax is easily administered, and the taxpayer has no difficulty in preparing his return. Today the Indiana State government is not only solvent, but has a large surplus in its treasury. I wish to also add that Indiana has no bonded indebtedness.

We who are proponents of the Townsend plan feel that the gross-income tax of 3 percent levied by the Federal Government will pay to the citizens over 60 years old and the disabled over 18, as well as the widows with dependent minor children, a sufficient income with which to live, and that the return of this amount of money into the channels of trade each month would stimulate business throughout the country.

The gross-income tax is the fairest tax that can be conceived of. It bears equally upon all, in proportion to the use made of the market. It will produce the greatest amount of revenue for this purpose with the least hardship and discomfort to the people.

The CHAIRMAN. Senator Pepper, do you desire to make a statement?

STATEMENT OF HON. CLAUDE PEPPER, A UNITED STATES SENATOR FROM THE STATE OF FLORIDA

Senator PEPPER. Mr. Chairman, if you will allow me, I will proceed, because I have an appointment at the White House at 11.

Mr. Chairman and gentlemen of the committee, Senator Downey, of California, has asked me to explain to the committee that it was impossible, because of certain other pressing matters affecting his State, to be here this morning, and he asked me if I would read a brief statement which he has handed to me, and with your permission, Mr. Chairman, I will read it.

The CHAIRMAN. I would be glad to have you do that.

Senator PEPPER. This is the statement of Senator Sheridan Downey:

STATEMENT OF HON. SHERIDAN DOWNEY, A UNITED STATES SENATOR FROM THE STATE OF CALIFORNIA

I appreciate the opportunity to appear before this committee in behalf of the plan of the Townsend organization (S. 2181) which Senator Pepper and I have introduced with other Senators.

As one looks back over the disappointing 15 years since the social-security bill was introduced in Congress, Dr. Townsend takes a preeminent position in the whole pension movement. I am sure that time will continue to enlarge his place in the history of this most important field of social legislation.

From the beginning Dr. Townsend insisted on a universal pension system. He was wholly right about this and those who once opposed him now admit the correctness of his views. Dr. Townsend has also insisted on a pay-as-you-go system of financing based on a universal system of taxation. The taxes so raised would provide a social dividend from the current flow of national income. Such a dividend would be distributed to our senior citizens as a recognized right. In so doing we would avoid the humiliation which goes with the payment of public assistance on a needs or charity basis.

And, finally, Dr. Townsend has always insisted on an adequate payment to provide decent, healthful living, rather than a poverty level of existence which the social workers of this Nation seem always to insist upon.

We have little to be proud of in our handling of the old-age problem in these past several years. The Social Security Act gave us two plans—the insurance program with its emphasis on the "right" of a covered worker to claim it; and, secondly, the charity system under the Federal-State public-assistance plan.

Both have failed miserably in reaching their goals. I will not go into details of H. R. 6000 because once again it presents the confusion of countless formulas, rules, and definitions. Our Social Security Administrators have always had a

passion for formulas; in fact, they have become so obsessed with formulas and so confused with their own handiwork, that they have forgotten that after all they are dealing with people—millions of senior citizens who have contributed a life of toil to our economic system and now deserve the security, comfort, and well-being which a rich and grateful Nation can properly afford.

The general public and the working people of this country have rejected both the insurance system and the charity program under public assistance.

The working people have sought security-level pensions from the industries in which they are employed. In the coal, steel, automobile, and other large industries such pensions are now guaranteed under collective-bargaining contracts. Many of our States now have public-assistance plans well beyond the maximum in which the Federal Government will share. As a result, we have a confusing hodgepodge of pensions in which some groups are reasonably well protected while millions of others have nothing to look forward to in their advanced years but the bread of charity.

To those who feel that what I propose would place too great a burden on our economy, I respectfully suggest that the main problem of America's farms, factories, mines, and other productive enterprises is not the creation of the goods and services our people need. Rather, the problem is one of distributing the abundance of which our economy is capable by maintaining a flow of purchasing power so that all our citizens may live decent, comfortable, self-respecting lives.

As an ardent advocate of our free-enterprise economy under private capitalism, I can find no defense for a social philosophy which holds that those who have become too old to work shall join an economically depressed group and reduce their consumption to a bare minimum. Such a system, in my estimation, is not only a survival of the poor laws, at their worst, but it is also poor business for the American economy.

Today, as for many years, Dr. Townsend thinks of people rather than formulas. His program would provide a universal system of pensions as a social dividend, and I again invite the attention of this committee to its consideration.

Senator PEPPER. This ends the statement which Senator Downey requested me to read for him.

The CHAIRMAN. Yes. Thank you very much, Senator Pepper.

Senator PEPPER. Now, Mr. Chairman, on behalf of sponsors of S. 2181, the Townsend national insurance bill, I want to thank your committee for this opportunity to present our views in support of the best measure which in our judgment will provide real security for the older citizens of America.

The Bible tells us, in the Fifth Commandment, "Honor thy Father and Mother that thy days be long upon the land which the Lord thy God giveth thee." We are not honoring the fathers and mothers of the people of this country as we should. Thus far we have failed to assure them a minimum level of security, which it is our duty to provide if we are to honor them in the spirit of the Fifth Commandment.

Mr. Chairman, briefly, I will show in my testimony that:

1. An increasing proportion of our people will live beyond 65 years of age. By 1975, about 11 percent of our population will be 65 years of age or over.

2. Low incomes and the inability of Americans to save for old age makes the need imperative for adequate insurance in the twilight period of life. Forty percent of our spending units, with the lowest incomes in 1948, spent more than they received in 1948.

3. The old-age assistance and old-age and survivors benefits under the Social Security Act are far too low for an aged person or couple to live decently. The average aged couple received less than $40 a month in old-age-insurance benefits in 1949 compared with a fair living budget level of $120 to $150 a month.

4. Coverage under the present act and the proposed extension in H. R. 6000 will leave millions of Americans unprotected.

5. The increases in benefits under H. R. 6000 are insufficient to enable elderly persons to maintain a fair standard of living.

6. Irrespective of the liberalization proposed in H. R. 6000, there are great variations from State to State in the amount of aid payable and in the proportion of the aged receiving assistance.

7. The means test for assistance is unsound.

8. The administration of the present law is cumbersome, costly, and time consuming.

9. The Townsend national insurance bill will be simple in its operation and will provide far more benefits than are available for the average citizen under any age or permanent disability retirement system financed with Federal funds. Based upon 1949 figures, it is estimated that an annuity of $150 a month would be paid to 14,500,000 aged persons, 2,400,000 disabled persons, 1,600,000 widows with children under 18 years.

10. The Townsend national insurance bill will add far more to the total purchasing power of our people and contribute to the stabilization and maintenance of our prosperity.

Increasing proportions of the aged in our population: In our population there has been a growing proportion of elderly persons and it is predicted that this trend will continue in the future. The following table shows that by 1975 almost 11 percent of our people will be 65 years of age and over.

Years	Number 65 and over	Percentage, total population
1900	3,080,000	4.1
1980	11,314,000	7.5
1975	17,690,000	10.7

In Florida there has been a similar growth in the proportion of older citizens in our population. In 1920 only 4.2 percent of our Florida citizens were 65 years of age and over; in 1948 179,000 or 7.6 percent of the total were at least 65 years of age, about twice as many.

Senator MILLIKIN. What period was that, Senator?

Senator PEPPER. That was the period from 1920 to 1948. It jumped up from 1920, when only 4.2 percent of our population was over 65 years of age, to 7.6 percent in 1948.

Senator KERR. Then your population of aged increased far more on a percentage basis than your total population?

Senator PEPPER. I do not recall just what the population was in 1920, but I think it is fair to say that the increase of the aged has been greater than the increase in the general population.

Senator KERR. The percentages are 4.2 percent in 1920 and 7.6 percent in 1948, which is less than double the proportionate number, yet the number actually is three times as great.

Senator PEPPER. That is right. That is the way it is, Senator. The percentage increase in the number of our aged population has been about three times what it was. That is the correct way to summarize it.

The rise for the Nation as a whole was a little over 100 percent. It is estimated that by 1980 we in Florida will have 218,000 persons above 65 years of age.

Senator KERR. Is it a fact that you in Florida take the position that you have something peculiar in your climate that draws people, or something of that kind?

Senator PEPPER. Well, down there we like to have it appear, and we think it is pretty convincing, that the young always stay young, but the aged never grow old.

Senator KERR. Is that on account of your proximity to Georgia?

Senator PEPPER. Well, that is one of the warming influences of our environment, undoubtedly.

In our democracy we always emphasize the necessity for the practice of the virtues of diligence, intelligent effort, thrift, and provision for the future, yet we know that financial security in the evening of one's life can be provided for only a privileged few or by financial provision privately made through insurance and retirement systems and the like. But, unfortunately, many millions who, too, deserve to be honored, for some reason or another have not been able to provide for their last years in the sunset of their lives through these means. The main reason is that almost every person in the United States at age 65 has little or no savings and his income is extremely low.

We have had a long era of prosperous times. The national income in 1949 had reached about $218,000,000,000 almost three times the 1939 figure. Consumer income, after taxes, in 1949 was $191,000,000,000, or 2¾ times the 1939 figure; also, per capita income rose from $536 in 1939 to $1,271 in 1949. Yet in 1948 the median income of all spending units whose head was 65 years of age and over was $1,100, the lowest for any age. Naturally, since many families contain more than one spending unit, the level of family income is higher than that of spending units, the proportion and number of all families with incomes under $1,000 or $2,000 is somewhat less than the proportion and number of all spending units with corresponding incomes. Over 50 percent of the nonfarm families whose head was 65 years or more had incomes under $2,000 in 1948. There were 840,000 nonfarm families headed by a person aged 65 and over with incomes under $1,000 per year, and 900,000 with incomes between $1,000 and $2,000 per year. Three-fourths of all of these nonfarm families were elderly couples and 360,000 were headed by widowed, aged persons.

Three-fourths of individuals 65 years of age or more who were not in families had incomes under $1,000 in 1948.

Naturally, rural families present a different picture primarily because nonmonetary income is of much greater importance to farm families than to urban households. Monetary income, therefore, is only a rough measure of the economic well-being of farm families. Of the 900,000 farm families whose head was 65 years of age or more, 420,000, about half, had incomes under $1,000 and 220,000 between $1,000 and $2,000 in 1948. Most of these—350,000—were elderly couples living in retirement.

Savings: There are no pertinent data to show what assets or savings individuals may have accumulated by age 65 years. But it is reasonably certain that many of these families with aged heads have been living on withdrawals from savings because their current incomes are far too low for even purely physical maintenance. We do know that the

net personal savings of our people in 1949 was $14,400,000,000 compared with $12,000,000,000 in 1948 in comparison with $2,700,000,000 in 1939. While personal savings in 1949 were high for peacetime, the lowest fifth of all spending units in 1948 had average incomes of $860 and saving nothing; the next lowest fifth with average incomes of $2,000 saved $85 on the average, but on the whole these two groups spent more than their present incomes by drawing on savings or going into debt.

Since spending units whose family head was 65 years and over constituted 41 percent of all those units with incomes under $1,000 in 1948, and 16 percent of those with incomes between $1,000 and $2,000, it is obvious that these spending units with aged heads were unable to save, on the average, during the peak of prosperity and had to resort to reduction of their savings, going into debt or lowering their living standards. It is indeed a sad commentary.

Budgets for the aged: Of course, we all know that man cannot live by bread alone; it is the drive within us which makes us all spend ourselves in our various tasks and labors. Older people must have access to adequate medical and hospital care. Certainly they are entitled to decent homes, good food, and adequate clothing. Now the Federal Security Agency has worked out the annual cost of a decent budget for an elderly couple. This would provide them with a modest but adequate level of living. It would give them goods and services necessary for a healthful, self-respecting mode of living that would allow them to participate normally in the life of their community. These are not subsistence figures. The budget provides for more than physical needs. Nor is it a luxury or ideal budget.

This budget ranges from a low of $1,440 a year in March 1949 for Houston, Tex., to a high of $1,830 per year in Washington, D. C. On a monthly basis this budget roughly ranges from $120 per month to $150 per month for 13 selected cities in various parts of the country.

Senator KERR. Is that for a family unit of two, Senator?

Senator PEPPER. That is for a family unit of two.

In my own judgment, even that is far too little for an elderly couple to live decently at the present cost of living.

As for old age assistance benefits, almost one of every four aged persons in the United States is on our public assistance rolls. That is a commentary, too, gentlemen. Almost one out of every four aged persons in the United States is on our public assistance rolls. In November 1949, 2,715,731 persons were receiving old-age assistance. In Florida over one out of every three aged persons received such aid in the same month, a total of 66,874 elderly residents.

State-Federal aid for the needy, aged 65, has increased sharply since the end of the war. Old-age assistance has risen from $19.37 per month on the average in March 1939 to $44.50 in November 1949. Florida showed the same general trend as the Nation. In March 1939 the State paid on the average $13.83 in old-age assistance, and in November 1949, $40.35.

Old-age-insurance benefits: Now, I emphasize that where we had that budget from $120 a month to $150 a month in selective cities over the country, the average in old-age assistance was $40.35, or presumably it might have been something in excess of that for two people who might have received old-age assistance.

Senator KERR. That $40.35 is for an individual, is it not?

Senator PEPPER. Yes; that is right.

Senator KERR. And the other figure that you mentioned was for a couple?

Senator PEPPER. I believe they do not pay twice as much for a couple as for an individual.

Senator KERR. I think the average figure comprehends all.

Senator PEPPER. Well, at the maximum it might have been $80, in States where they pay as much as they do in Florida.

Senator MILLIKIN. In Colorado, we are paying, I think, in the neighborhood of $80?

Senator PEPPER. For a couple?

Senator MILLIKIN. For an individual.

Senator PEPPER. Well, I commend Colorado for the progressive state you have reached.

Senator MILLIKIN. I think we are the leading State in that respect.

Senator PEPPER. I think so, and I commend you very highly, Senator, for it.

In contrast to the modest budget figures, the average retired worker and his wife in the United States received about $39 in June 1949, and in Florida an aged retired couple was paid about the same amount under the old-age-insurance provisions of the Social Security Act.

The record for old-age and survivors insurance under the Social Security Act is shamefully inadequate. The primary benefit payable to a retired worker at age 65 has increased a little over 10 percent since 1940. The number of recipients and the average amount of monthly benefits under the old-age and survivors insurance provisions of the Social Security Act as of June 30, 1949, for the United States and for Florida, was as follows:

Type of benefit	Number of payments	United States amount	Number of payments	Florida amount
Primary benefit	1,180,909	$25.72	22,989	$23.25
Wife's benefit	359,840	13.61	6,890	13.60
Aged widow	246,394	20.72	2,947	19.62
Widow with dependent children	149,724	20.96	2,379	18.96
Dependent child	614,714	13.09	11,221	11.76
Aged parent	12,607	13.70	190	12.84

I hold in my hand a budget worked out for a man nearly blind, above age 65, living with his wife in Jacksonville, Fla. This was prepared by the State Welfare Board of Florida.

This is the budget: Rent, $19.50—Now, remember, this is for a couple, and the man is nearly blind, age above 65, living with his wife:

Rent	$19.50	Routine medicine	$0.75
Food	22.43	Laundry	2.00
Lights	.50	Household incidentals	.75
Fuel	2.53	Insurance	3.72
Clothing	3.62		
Recreation	1.00	Total	58.80
Personal incidentals	2.00		

The CHAIRMAN. This is for a month?

Senator PEPPER. This is a monthly budget.

Senator KERR. Are you sure it is for a couple?

Senator PEPPER. Yes, it is for a couple.

Senator KERR. The statement says the budget was worked out for a man.

Senator PEPPER. Well, living with his wife. I am confident, Mr. Chairman, it was for a couple.

Now, this particular individual paid old age and survivors insurance contributions for a number of years. He now receives $19.06 in benefits. To make up the budget of these two elderly people living together, the State welfare board, after deducting $19.06 in these benefits, granted them $39.74 per month to make up the difference in the budget. Well, the board did get generous and added 26 cents more to the $39.74 to give this couple $40 per month upon which they had to live for a month in addition to their old age and survivors benefit. That is how far we have gotten in providing for our honored senior citizens.

Senator MILLIKIN. Senator, may I ask: Did they have any assets to supplement their income?

Senator PEPPER. Well, they must not have been considered to have any, because I do not think they give this old age assistance if they find they have any assets, much.

Senator MILLIKIN. Yes, they can take it into consideration. It seems incredible to me that a couple could live on $40 a month.

Senator PEPPER. I thoroughly agree with you.

Senator MILLIKIN. And therefore unless the standard is a starvation standard, it seems to me that they would have to have some supplementation of their income.

Senator KERR. This says $58.80, in the table.

Senator PEPPER. I have here a communication from the State welfare board, a State welfare board interoffice communication; Mr. James H. Austin, subject, two persons living together. And here is that itemization. Here is all is. It totals up to a budget of $58.80, with income OASI, $19.06. They must not have had any other. That leaves a balance of $39.74 that they are going to give them from old-age assistance, and they grant them $40 a month. "Get doctor's statement regarding need for medicine. Call us and give prescription number and name of drug store when presented." Evidently this was given to this party himself by the State welfare board.

Senator MILLIKIN. I am not challenging the correctness of what they have there; except that I wanted to know whether they had some additional income. Because I do not see how that couple could live on that amount.

Senator PEPPER. I thoroughly agree with you, and my opinion is that they had no other income.

Senator MILLIKIN. They might have had some family income.

Senator PEPPER. I do not know whether they were getting any assistance from their family. If they did the board would have been obliged to take it into account.

Senator MILLIKIN. I would hate to think that that is the standard imposed any place for keeping a needy couple.

Senator PEPPER. Mr. Chairman, that is going on all over America today. That same case could be repeated thousands of times all over this country. Where there are people who do not have a dime to live on except this meager pittance that they get, either totally through old age assistance or through old age assistance and old age and survivors insurance.

Senator KERR. As I understand it, Senator, you are talking about a couple whose income is $58.80.

Senator PEPPER. That is the living budget they fixed for them.

Senator KERR. I think one of the gentlemen has the idea that the total amount they received is $40.

Senator PEPPER. No, they get approximately $60. They get $19.06 from old age and survivors insurance, and they get $40 from old age assistance.

The other day, if I may interpolate, Mr. Chairman, I had a letter, which is a typical case, written me by a man living down just south of Orlando. He said, "I came from Indiana. I have all my life paid taxes. I never ask any charity from anybody. I own my little home in this little community south of Orlando. I am 70 years of age. My wife is 65. I spent all my savings getting an operation on my wife's eyes that we thought might save her sight. The operation failed."

He said, "We are utterly penniless. We have no income. We do own the little home in which we live."

He went on, "I can't work, and I can't even leave home, because my wife is here blind. I can't leave home to work, if I really were able to work. And yet I can't get assistance in Florida, because they have a 5-year rule, about how you must be a resident 5 years. They won't give me anything from Indiana." He said, "Here I am, the owner of my home, a good American citizen, with a blind wife. I paid taxes all my life. I can't get anything from the Federal Government. I can't get anything from Indiana, and I can't get anything from Florida. And I can't leave my wife at home to go and work." He said, "What a plight I am in."

And that is not an untypical case. And when I hear these people talk about these aged citizens, with an insinuation that they are sort of chiselers or somehow or other they do not have good character, I think of that case.

I read that to a number of civic clubs before whom I spoke in Florida. I said, "Is that man not a good American citizen, that man and his wife? Because he has come to the end of his life almost, and he has a blind wife, and he has no savings and no income?"

Senator MILLIKIN. Senator, we cannot leave people starve even though they do not have good character.

Senator PEPPER. Yes; that is right, Senator.

The evidence is clear. The senior citizens of this country just don't have enough income to live on a budget as low as $1,440 a year. Of the 1,270,000 aged, nonmarried persons and couples receiving old-age and survivors benefits in December 1948, about three-fourths of them had total incomes under $1,000 a year.

Senator MILLIKIN. Senator, may I interrupt to ask what your per capita income is in Florida?

Senator PEPPER. It was $1,137 in 1948, Senator.

Senator MILLIKIN. Can you tell me what percentage of your State revenues you are spending for welfare?

Senator PEPPER. I do not know the percentage of our total. However, we are the highest in the South, Senator; I will say, with an average of $40 and some cents a month.

Senator KERR. On another page of your statement, below, Senator, you indicated that you are forty-first among the forty-eight States with reference to aid to dependent children.

Senator PEPPER. That is right. Our aid there does not seem to be as high.

Under the old-age assistance program of 774,000 aged recipients living alone, over 96 percent had incomes under $1,000 a year, and of 1,724,000 living with others, almost 100 percent had incomes under $1,000 a year. These figures refer only to the amounts received by the aged person alone, and do not include the entire family income; however, such recipients as a group have unusually high and costly requirements, particularly for health care.

Surveys by the Social Security Administration show that many of the recipients under the old-age and survivors program had no resources except their benefits. Nearly one-half of the aged had insufficient income to provide even for their maintenance.

Old-age insurance coverage: A surprisingly small number of our population actually share in the program.

The chances of a person in employment covered by the act becoming eligible under the program are about 50-50. This is reflected by the following: 92,300,000 Social Security accounts established by January 1, 1949; 78,900,000 had some wage credits in these accounts by January 1, 1949; 38,300,000 with wage credits were fully insured; 35,500,000 with wage credits were uninsured; 25,000,000 were in noncovered employment.

Of course, many of these were women whose employment is often interrupted by marriage and family responsibilities, but undoubtedly over a period of years in the future, despite the proposed extension of the old-age insurance pensions to 11,000,000 more persons in H. R. 6000, as approved by the House, there will be millions of employees who will have spent relatively little time in employment under the act, thus denying them the right to benefits.

Only 3,400,000 persons aged 65 and over of the 11,314,000 had wage credits under old-age and survivors insurance on January 1, 1949. Of these, some 2,000,000, or 58.8 percent, were fully insured. What is equally alarming is the fact that the percentage of fully insured persons 65 to the total number in the same age group with wage credits has not increased materially since the payment of benefits began in 1940.

It is obvious that the amounts payable in 1940 and the subsequent rises in living costs--60 percent since 1940—have resulted in large numbers of elderly people continuing at work after age 65. Others have retired only because they were unable to work, due to some physical disability.

Now, what I wish to say, in summary on those two points, is this, Mr. Chairman and gentlemen of the committee: Old-age assistance, on the average, is grossly inadequate. To get it at all, they have to meet a means test. That means social workers, and that means cumbersome administration and costly administration. Secondly, old-age and survivors insurance covers relatively a small number, and those who get anything do not get anything like enough.

So as we face the present situation, we see that we are simply not taking care of the elderly citizens of this country in the way that they need to be taken care of and in the way that as single Christian citizens we feel they are entitled to be taken care of by this rich country of ours.

Now, then, we come to the matter of what we propose to do about it. Well, the House of Representatives has sent us proposed changes in the present law, in H. R. 6000. Even the proposed changes under

H. R. 6000 are wholly inadequate. The average payment to persons who are now retired would be increased from $26 per month to $44 per month. The range of benefits for persons retiring in the future would be from $25 to $64.40 per month, in comparison with the present range of $10 to $45.20 per month. The total maximum benefit to a family under the act would be increased from $85 to $150, but newly retired workers in 1950 are only expected to average about $50 to $55 per month under the bill.

The proposed changes in old-age assistance would not increase the maximum grant from the Federal Government of $30, but the poorer States, particularly those paying under $25, would probably be able to add about another $5 to the average monthly payments without increasing the State's contribution.

Old-age assistance is also subject to several other criticisms. One of the great variations in the amount which is paid, creating vast inequities and inequalities for people in the same age group. The amount depends primarily upon the income of the State, the number of needy aged, and the provisions of the respective State laws. In November 1949 the average payment was $44.37, with a range from a high of $75.01 in Colorado to a low of $18.84 in Mississippi. Florida, with an average payment of $40.41, ranked thirtieth of the forty-eight States. In addition to the variation in the payments the proportion of the aged getting assistance varies greatly. In December 1948, 23 percent of Louisiana's aged were getting assistance. In that same month only 5 percent of the District of Columbia received similar aid. The figures for Florida were 34.4 percent for old-age assistance. Similar wide variations are found in the aid to dependent children and aid to the needy blind programs.

Despite the improvements in H. R. 6000, millions of our older citizens would still be required to rely on old-age assistance, with case work determination of individual need, on the basis of various kinds of property and income tests, commonly called means tests. The prying into the private affairs of our honored aged and the sacrifice of most of their rights as individuals will continue. Social workers who administer public relief programs have roundly condemned the means test. On October 3, 1947, the executive secretary of the American Association of Social Workers, Mr. Joseph P. Anderson, was quoted as follows: "Any assistance programs, no matter how well administered, has a demoralizing effect on every person subject to a means test."

Under the old-age assistance program recipients are generally tied down in the State which pays them. They cannot move from State to State. They are frozen to their homes and cannot go to a more temperate climate, if they have to, without losing their welfare payments.

I should like to read to you an excerpt from a letter which I received from a citizen of Florida, dated January 11, 1950. In this letter Mr. O. Decesaro, of Miami, said:

> I address this letter to you in the certainty that you will present my case (which is the case of many and many others in the same as my condition) at nearest session of Senate.
>
> I am 73 years old and, for different circumstances, I belong to social security by only 5 years. Logically I have not much to expect from the present law, and it is why I ask to present this case in Senate. Have we to die on the job or will our Representatives consider the case and provide for our decent future for the

last few days of our life? * * * I am still work working in the shop; but for one reason or another I don't work steady, so how can I make such amount of money to be entitled to the benefit of pensions? * * * In other words, we are completely forgotten.

Then I have already mentioned the matter of administration. The law is complicated. In 1948 it cost almost $175,000,000 to administer the old-age and survivors insurance and public-assistance provisions; of this amount about $110,000,000 was for the old-age insurance payment program, or about $25 a year per recipient.

Senator KERR. Have you checked that figure, Senator?

Senator PEPPER. Those are the figures that were furnished us.

Senator KERR. Oh; $25 per year? I beg your pardon.

Senator PEPPER. That is right, $25 per year, per recipient.

Now, I do commend H. R. 6000 for taking care of the totally and permanently disabled, who have not heretofore received any protection under our social-security system, and that certainly has been a helpful addition to the present law. However, I think it will be 6 or 8 months from a given period of total disability before the recipient would, as I have read from some of the testimony and newspaper accounts, get anything; and I would respectfully suggest that that period should be vastly shortened.

I do not want to see any man or woman have to quit his or her job at any arbitrary age. Let them work as long as they want to and can. People should be aided in staying in their work, continuing to labor, and also in finding employment best suited to their needs. There are some who, in spite of every effort that may be made to find suitable employment for them, will not be able to keep it. There are some who, no matter how hard they may have labored in a long and useful life, would not have the confidence in the evening of their lives.

Yet if one cannot get work any more because he or she is totally and permanently disabled he cannot receive any benefits under the old-age-insurance provisions of the Social Security Act at the present time. The States and local communities, however, have been trying to pay something to these unfortunate individuals. In December 1948 some 200,000 persons totally and permanently disabled were receiving some State and local assistance.

We know that at least 2,000,000 in the United States are chronic invalids. Reliable authorities have indicated that over a half million persons are totally disabled for a period of 6 months or more.

The amendments to H. R. 6000 propose to pay insurance benefits to eligible persons under 65 who are totally and permanently disabled. It would also provide Federal aid to State assistance programs, giving money to the needy in this group. But the proposed changes would not achieve anywhere near an adequate level of support for these people. They would only get the same benefits as the aged under both programs.

Now, as to the temporarily disabled, however: There is another group of Americans who every year experience periods of temporary illness. During this period they normally do not have any compensation or remuneration or other income. The Advisory Council on Social Security to the Senate Committee on Finance recognized that the loss of income from temporary disability is a major hazard to which all wage earners are exposed. The Council pointed out that on an average day, illness prevents about two to two and one-half million

persons, recently in the labor force, from working or seeking work. In a year wages amounting from 5 to 6 billion dollars are lost because of disabilities lasting up to 6 months. These illnesses not only entail loss of income but also medical expenditures.

Three States—Rhode Island, California, and New Jersey—have provided for the payment of benefits for temporary disability to working people covered by their unemployment-insurance laws. In addition, railroad workers can receive cash sickness benefits under amendments to the railroad unemployment insurance law recently approved by Congress. These four laws providing insurance against temporary disability have, except for New Jersey, the same kind of provisions for temporary disability as for unemployment. All four laws are administered by the unemployment insurance agencies and use is made of the same administrative machinery for the temporary disability programs.

The Townsend plan and the Social Security Act do not contain any provisions for temporary-disability compensation. I will offer an amendment in the very near future on this subject, which will come before your committee for consideration. I will propose a program under which some 20,000,000 employees who are covered by State unemployment-compensation programs will receive some protection against wage losses during periods of temporary disability. I strongly urge your committee to include this program in their recommendation to the Senate.

The problem: How are the aged in America going to live? Are they to go to the poor house? Are they to subsist upon the charity of neighbors or depend upon relatives or are they to be ignored and neglected in a way we would not treat even an old faithful horse after long years of service?

Now, we certainly warmly commend President Roosevelt for having initiated our social-security system and help make the progress we thus far will have achieved. Mr. Chairman, you remember that until 1935 the elderly people, the blind, widows with dependent children and others got nothing whatsoever. President Truman is also to be heartily commended for his own recommendations to improve our social-security laws. But to be frank with you they do not go far enough. In my judgment, the facts I have presented tell why we need the Townsend national insurance bill, why we have to do something more than we are doing now and propose to do in H. R. 6000 for the senior citizens, for the aged veterans, the blind, the disabled, and widows with dependent children.

As to the Townsend plan: Mr. Chairman, my interest in the Townsend plan and in improving social security is not new. On February 16, 1938, I introduced S. 3475 which would provide Federal grants to the States for aid to totally and permanently disabled citizens. On January 4, 1939, I introduced the Townsend bill, S. 3; on March 6, 1945, I reintroduced it as S. 690, on June 6, 1947, as S. 510, and on June 30, 1949, as S. 2181.

What does the Townsend bill do?

Persons eligible: Every citizen 60 years of age and over—about 14½ million—shall, upon application, be entitled to a life annuity, payable in monthly installments. In addition, every citizen between the ages of 18 and 60 who is disabled for more than 6 months—about 2,400,000—and every widow—about 1,600,000—who is a citizen and

has the care of one or more children under 18, shall, upon application, be entitled to an annuity payable in monthly installments during the period of incapacity for employment, or while having the care of a child or children, as the case may be.

Other conditions for receipt of annuity: An annuitant would be required not to engage in any activity from which profits, wages, or other compensation is received—except he may receive income from his own investments; an annuitant would not be permitted to support an able bodied person in idleness—excluding the support of an employable child under 18—except a spouse; an annuitant would have to spend the monthly annuity within the confines of the United States, its Territories and possessions and within 30 days after the time of its receipt. So, he could receive dividends, but he could not be gainfully employed. And that is one of the conditions: that it is payable only to those who are not gainfully employed.

Then, as to the tax: The bill would levy a 3-percent tax on the gross income—as defined in the bill—of all persons and companies. Personal income in the amount of $250 per month would be exempt from taxation. Fraternal societies, labor organizations, chambers of commerce, hospitals, and other nonprofit institutions would be exempt. The taxes would be computed on the basis of gross income received in a calendar month and will be paid to the Bureau of Internal Revenue by the 20th day of the second month after accrual. These taxes may be deducted in computing net income for income-tax purposes. The statisticians of the Townsend national insurance plan estimate that the monthly tax base in 1949 would have ranged from 103 billion dollars for July 1949 to 85 billion dollars in February 1949. This means that the monthly income of the fund would range from over 2¼ billion dollars to 3 billion dollars in a year similar to 1949.

The amount of annuity: The taxes would be credited to a business, employment, and security-insurance account in the Treasury. These amounts, after deducting administrative expense, would be available for paying annuities. The amount of the annuity is determined monthly by the sums available from such account and the number of eligible beneficiaries. Monthly annuities based on a 1949 net tax base would range from a low of about $137 in February to a high of $167 in July—almost all monthly annuities would be above $150.

Repeal of other laws: The bill would repeal the old-age assistance, old-age and survivors insurance, and Federal insurance-contributions laws.

The bill provides for more benefits to every eligible American who needs them. The system under the bill would be simple in its operation and administration. I am informed that the total cost of administration would be about 85 million dollars a year, and about one-half the cost of administering old-age and survivors insurance and public assistance under the Social Security Act.

Economic effects of the bill: The Council of Economic Advisers in its economic report to the President—January 6, 1950—points out that with a growing potential for national output the only way to translate this potential into actuality is to distribute more goods and, if the price level is reasonably stable, then the increasing purchasing power necessary for expanding markets must come mainly in the form of money incomes rising in accord with improved productivity. I quote from the report:

The interests of the Nation require that these programs now make an about-face and, instead of looking backward, look forward to the 300-billion-dollar economy that we can achieve within a few years and to the still larger economy which should exist by the time that most of those who are now working reach retirement age. * * * Social-security programs also serve to cushion the effects of recessionary trends whenever these may appear, because old-age payments constitute a steady flow of income. * * *

While the total cost of the Townsend plan may be a very large figure, it should be viewed in the light of the total national income and production which would flow from a growing economy.

It will be remembered, Mr. Chairman, that where we show in our tables, there, that there would be a tax base of about 100 billion dollars a month, and while about 3 billion dollars a month would look like a large amount and, say around 30 to 36 billion dollars a year would look like a colossal sum, that must be taken into relationship with 1,200 billion dollars a year in transactions in the tax base. So that that is still a relatively small part of the total volume.

A diversion of national income to meet the just claims of the aged and the totally and permanently disabled would supplement millions of low-level incomes and thus bolster and increase consumer demand to insure a sustained, continuous, and progressive volume of business activity. The Government will become merely the instrument whereby a portion of our national income is given to these annuitants, who return the income immediately into the channels of commerce in exchange for consumer goods and services.

Now, Mr. Chairman and gentlemen, let it be remembered that it is a requirement of this plan that the sums be used up. It is not a savings program for the recipient. It has got to be spent and put back into the channels of our economy.

By far the production and consumption of consumer goods and services is the most stable factor in our economic life. Excessive investment in capital goods has preceded every major depression. In the decline of business activity, during a depression, the investment demand practically disappears. The only thing that supports the economy during this phase is consumer demand.

We all remember too painfully how our wheat elevators were bursting with grain and how the economy still had the abundant capacity to produce during the depression, but people did not have the money to buy. They wanted these things, and they needed them, but they did not have the money with which to pay for them. Now, today, personally, the possible loss of our foreign trade disturbs me about as much as any other danger which I foresee facing our economy. And if we do have a diminution in our foreign trade we will either have to impair our productivity here and curtail it, in this country, or we have got to work out newer devices by which, somehow or other, we can stimulate purchasing power in a larger number of our people.

At a dinner, here, not so long ago, I heard Mr. Paul Hoffman one evening say that the difficulty in restoring the heavy industry of Europe, western Europe, was the absence of mass purchasing power in that part of the world to sustain the revival of these heavy goods industries, as it were. And that is what distinguishes America. There are more folks over here that can buy more, and that is what makes it possible for us to have this immense productivity that we have here in this country.

Senator KERR. Do you know what part of our national production moves into the channels of export?

Senator PEPPER. Well, I know it has got down now to a smaller amount than it was. It used to be said that it was roughly about 10 percent.

Senator KERR. Is the figure of about 255 billion dollars somewhere near the accepted one as representing the value of our annual production?

Senator PEPPER. Something like that; yes.

Senator KERR. The figure of 13 billion dollars has been used as stating the amount of our exports. Our imports are about 7 billion dollars; which means that for that amount of goods moving into this country there is that amount of American dollars being moved out and into the hands of foreign purchasers, leaving a differential of 6 billion dollars, which is apparently about 2½ percent of our present national production. In view of the fact that our population is increasing at this time at about 1¾ percent a year, has not the amount of that differential in our exports above our imports become a matter of relatively less significance than it formerly occupied?

Senator PEPPER. Yes; relatively less. But, Senator, we shall also have to take into account that we are in the wake of a war economy, where we spent hundreds of billions of dollars here in this country through deficit financing. And it may be that we have got it up to a point now where, with the growing trend in our Government to distribute money among a larger number of people, we may be able to keep it going at a relatively high rate and pace without very much foreign trade. But I still think that our foreign trade, the net favorable foreign trade balance, is important to our economy.

Senator KERR. Oh, I thoroughly agree. And I am concerned about its being maintained. But I believe in appraising it we should have before us the actual factual data with reference to its proportionate significance.

Senator PEPPER. It used to be said that it amounted to about 10 percent, and it used to be felt that it was about the difference between prosperity and the lack of prosperity in this country.

Senator MILLIKIN. I think that is a very useful thing, Senator. We are apt to think that 2 or 3 percent of something against 100 percent is not important. Most business swings on 2 or 3 percent. In the last analysis, the difference between whether the sheriff gets you or not comes down to 1 cent, because, if that 1 cent shifts over into the red side, you are insolvent.

Senator PEPPER. Yes.

Well, the heart of the Townsend plan is that, in caring for the aged, the expenditures made from pensions will promote prosperity.

I will interpolate also, Mr. Chairman, that I do not believe we would ever have gotten rid of those several million unemployed that we had in the late thirties and reached this high level of productivity and employment and income that we have today if we had not pumped those hundreds of millions of dollars, through the sad necessity of war, out into the economy of this country. Now, people have differences of opinion about it, but while we have got the debt on the one hand as the price we have had to pay for it, we have reached a level of income that I think we would never have approximated had we not had to spend all that money. And back there in the days of the depression,

when we were new in this field of experimentation, and when we were spending this money as a conscious stimulus to our economy, I was one of those who had a feeling that we were not spending enough, because we never did quite give it the full blood transfusion that we had to have to make it really virile. We just went along with a little WPA assistance and some other aid programs, which gave a pittance. And down in our country, in the South, they got $26 a month on the WPA.

Senator KERR. Enough to sustain life, but not enough to restore vigor.

Senator PEPPER. That is right.

It reminds me, if I may tell it, of a story about a young man who went to New York and got a job at $25 a week. But having to live as he did there in New York, it was very expensive, and he was very lonesome and could not make any friends, or anything. So, he did not think he knew a person in New York except a radio preacher. He listened every Sunday to this preacher's radio address. Finally, feeling that this kindly soul was about the only one he could turn to for sympathy, and, maybe, counsel, he went to see him. And he said, "Dr. Jones, I just want to ask you. I have listened to you every Sunday. Do you think that any young man can live a good, clean, Christian life in New York on just $25 a week?" The doctor said to him, "Well, son, that is the only kind of life he could live."

So they could not live very well.

Senator MILLIKIN. Senator, on this theme that you brought up a moment ago, just as one viewpoint on the thing, I would say, No. 1, that I think we are going to have to reduce and then shut down on the give-away to foreign countries. I think that public opinion will require a shutting off over a reasonable period of time of the give-away, which represents the surplus of our exports over our imports. Some of those of us who believe that way believe that we have got to increase our domestic productivity and markets in an amount equal to that loss of exports.

Senator PEPPER. No doubt about it.

Senator MILLIKIN. Or we will be getting into trouble. I do not think there is any question about that. And those who feel that way about it feel that we have not scratched the surface of what we can do in this country in the way of increasing our income and our productivity by sound methods.

Senator PEPPER. Senator, I thoroughly agree with you.

Senator MILLIKIN. I am not talking about bigger and faster and more efficient printing presses. I am talking about productivity, honest productivity.

Senator PEPPER. I understand that.

I just read in the paper yesterday where the House of Representatives has passed new legislation allowing larger quotas for the cotton industry and the peanut industry. The able Senator from Georgia will recall, and no doubt he has had the same experience that I have had, that the people engaged in cotton and peanut production have demanded or insisted upon a larger quota. We cut them down. They are not anything like producing what they could produce, but we have been requiring them to limit their production. Now, we are paying in farm subsidies two or three billion dollars a year through the United States Government. And, of course, are all for it, I think.

But I believe, if we had any such purchasing power on the part of the people as this bill would afford, you would not have to have any quota of production, but that people could buy so much of the things that the people in our country can produce in the way of clothing and food and the like that you could save that 2 or 3 billion dollars, just as you would save the some 10 billion dollars that is being paid out in benefit payments and in charity to the recipients of this aid in one way or another over this country. And if it were 36 billion dollars a year, I feel you would save 10 to 15 billion dollars a year of funds that we are already employing, with the design of aiding the people who would be the beneficiaries. And not only, as Dr. Townsend whispered to me a moment ago, would this bill insure the recipients a stable income; it would insure the business of this country a stable purchasing power, which is what they need.

Senator MILLIKIN. That serves to point up the dynamic aspect of our economy and the interrelationship of all its aspects. There is a tendency for people to talk about consumers' goods and capital goods as though they were operating in separate compartments. If you take a can of beans for consumption, there is also the can that had to be made, and following the processes of production you ultimately run into capital goods. So, all of these things are integrated; and, of course, I think the doctor's plan provides the most dynamic of all approaches.

Senator PEPPER. I want to emphasize another aspect, here, in just a minute.

As I said, the heart of the Townsend plan is that, in caring for the aged, the expenditures made from pensions will promote prosperity. It will bring consumption in line with production. It will reemphasize distribution of our goods and services which in the past have not kept pace with their production. Prosperity is dependent upon an adequate and sustained purchasing power. The current expenditure of pensions will force more money into the channels of trade, so that the products of our farms and factories will be absorbed by consumers, thus helping to prevent disastrous overproduction or underconsumption.

Pensions under the Townsend plan must be spent within 30 days of their receipt. The economy will thereby receive a powerful boost from the injection of billions of dollars a year in these pensions. The volume of business transactions would probably be multiplied three or four times.

Now, we have already had experience with these programs, and we see the good that they have actually done, the stabilizing force that they have had.

The program will permit older workers to retire whenever they desire and clear the path for the employment of our younger men, thus removing the social and economic hazards of unemployed youth—I should have said younger men and women.

The proposed levy of 3 percent has the virtues of a broad base, a relatively low rate, and large revenue producing. Many of the arguments raised against this type of tax can be raised against many parts of our present tax structure. It must be remembered that in a large number of cases the tax would apply but once, for example, on personal services. What is more significant is that the tax would be imposed upon income that would have remained unspent for consumer pur-

poses. When the tax revenues are paid to the annuitants, the money which would otherwise remain unspent would be turned into the channels of industry, and prosperity would be promoted.

The tax with respect to gross receipts of business would be universal and uniform. It would apply to all goods and services alike. Those who have many transactions would pay taxes commensurate therewith. Those who have but few transactions would pay correspondingly less.

Now, Mr. Chairman, I would like to emphasize that at the present time we are levying a certain form of gross-income tax. Let this not be called a sales tax; it is a gross-income tax. The workers who are paying 1½ percent of their wages in social-security taxes at the present time are paying a gross-income tax. The employers are paying 1½ percent upon their pay-rolls. We already have a gross tax of 3 percent upon all the pay rolls in this country that are covered by old-age and survivors insurance. That is in existence, and I understand it is about 65 percent; I believe this tax is about 65 percent of all the pay rolls of the country. The tax at present is applied to about 6 percent of all the pay rolls of the country.

Many States have had successful and good experience with sales taxes, many of which were adopted during periods of depression. They have been steady revenue producers for the States, and they are now established as part of our tax system. And so it will be with the gross receipts and income tax under the Townsend plan. I never have favored the sales taxes, but this is a gross-income tax.

It is almost impossible to prove the incidence of almost any tax, but we do know that persons in the lowest income groups will receive annuities at little or no direct cost.

Now, let me pause here to say: The doctor and the experts will point out that personal income below $250 a month would be exempt. Someone might say, "Well, that means people making less than $3,000 a year would not pay a gross-income tax." But they would not be freed under this plan, because just as pay-roll taxes at the present time are added to the cost of doing business, the producers have to take that into account. And in a way they obviously have to pass it on to the public as an added cost of doing business. And so it is, under our present social-security laws, that there will be an increase. We are contemplating that by 1980, I think, the tax will get up to about 6 percent, I believe it is, on the pay rolls. Obviously, management has to pay this as an additional cost of doing business. So it is passed on to the public, that deals with that enterprise. And so it would be here. The grocery store, for example, would have to pay 3 percent of the gross income of that business to the Government every month, as I understand the effect of the plan. But it would not have to pay 3 percent on every item. You do not have to get your pennies out of your pocket to pay a 3-percent sales tax. It is not that at all. You simply add that much to the cost of doing business; and the merchant has to allow for it. All of them are on the same competitive basis in the plan. Obviously, the merchant would have to pass this on to those who do business with him; and so these people making less than $3,000 a year would certainly not escape. Every time they bought something, in all probability, a part of the cost of that article would go to the maintenance of this plan.

But it would not be such a large amount. They would only be paying a percentage of their purchases, which would not be such a heavy tax upon them. And then those who are in the covered brackets would not only pay the percentage of their gross income, the 3 percent on their gross income, about $250 a month, but they also would pay more by it being added into the cost of the articles that they purchased.

Senator KERR. The effect of the act, as I understand it, would be to repeal in its entirety the present taxes being collected on wages.

Senator PEPPER. It would be a substitute. It is offered, and I propose to offer it here, as a substitute for the pending bill. And to answer Senator George, if you will just let me interpolate, there:

Senator, thinking about your inquiry a minute ago: As I recall, it covers everybody now covered by H. R. 6000 except crippled children. There is not made a separate provision for the children getting a specific amount, as they do now, under widows' and dependent children's allowance, but the mother would get her share of this amount, just like an older person. And experience might show that maybe there should be a certain amount set apart for each child in addition to the mother; but that would just be a question of determining how many children there were. You would not go into ability, or anything like that, except for the grants; and that is not the pension part of the social-security law, but it is just grants for crippled children. Just like we make grants for public health; we could still keep on making those grants. But this would take the place of old-age and survivors insurance. It would take the place of old-age insurance. It would take the place of aid to the blind. And it would take the place of aid to dependent children.

The CHAIRMAN. And of aid to the totally and permanently disabled.

Senator PEPPER. And it would take the place of aid to the totally and permanently disabled. And it it were deemed wise to add later on certain other benefits, such as taking care of the temporarily ill, that could be done; but the temporarily ill are not taken care of under H. R. 6000 either.

I suggested this morning, Senators Millikin and Kerr, before your arrival, that while I think that this is a better bill than H. R. 6000, if you are going to have H. R. 6000, you might well consider applying to H. R. 6000 the provisions of the Railroad Retirement Act, which make unemployment compensation obtainable when you are unemployed because of illness, just as if you were unemployed for some economic reason not associated with illness. That is, you know, the Crosser amendment to the Railroad Retirement Act. And three States, I am informed, allow a person unemployed because of illness to draw unemployment compensation. So I would just pass that on for consideration.

It is almost impossible to prove the incidence of almost any tax but we do know that persons in the lowest income groups will receive annuities at little or no direct cost. Persons in the fairly low and lower middle income groups will receive annuities at relatively inexpensive costs, and persons in the high-income groups would contribute heavily to the costs of all annuities. In my judgment, therefore, it is not proper to argue that the tax runs wholly counter to the basic theory of taxation according to ability to pay. The tax is progressive.

Critics of the tax concede that higher prices, which might approxi-

mate as much as 10 percent, represent a minor increase in comparison with the tremendous inflation which has taken place since the end of the war. The latter kind of inflation is very destructive, but the proceeds of the gross-receipts tax will be used for constructive purposes.

The minor price increase would be more than offset by increased production resulting in lower costs, the benefits of which could be passed on to the consumer.

Conclusion: If there is an appeal that could be made to the Congress of the United States by a section of our population, it is an appeal from the elder citizenry of our country. I do not need to dwell upon the service they have rendered the United States or the patriotism with which they have built the greatest democracy upon the face of the earth, which is the bulwark for the protection of democracy in the entire world.

What we all seek is to make human life rich and full and satisfying. That means we must administer to the many-sidedness of our aging men and women. They must not only be honored, but recognized for what they have been and what they are, and their experience and knowledge and capacity for leadership must be used to the fullest extent possible. Adoption of the Townsend bill by the Congress will give them the physical necessities of life—food, shelter, clothes, care, and the other comforts to which a lifetime of work entitles them. Above all, it will give them dignity, independence, and responsibility. Only when they have these things shall we truly have honored our mothers and fathers.

I add only this, Mr. Chairman. The present old-age and survivors insurance provisions of the existing law, even coupled with old-age-assistance provisions of the present law, do not provide at all for a great many of our people who need help, and provide with gross inadequacy for those that they assist. We face the problem of whether all the older people of this country and all these other categories that we enumerate are entitled to minimum assistance, or whether they are not. If any are entitled to it, all of them ought to get it. And they should get it in an amount that will be a decent minimum, taking into account everything we believe in and practice here in this country.

Now, then, if the coverage and the distribution should be universal, then are we not going to have to resort to a universal method of paying for it? Will we continuously be able to pay for our old-age care, for example, through pay-roll taxes and through grants out of the Public Treasury? Those are the two sources that we are tapping at the present time. Just the pay-roll tax and old-age and survivors insurance; and the other is an outright grant out of the Federal Treasury.

Now, Mr. Chairman and gentlemen, first, is it not a part of the purpose of America to meet the problem and to meet it in the American way? If we do that, second, will we not have to make coverage universal? Third, if we do that, will we not have to have the cost distributed universally upon the people, as it were? And fourth, is it not desirable that the cost be distributed to everybody to make people aware of the fact that they do have to make the contribution that they can make for their own care?

I do not want to get into that subject here, but we who are the advocates of it claim that one of the provisions of our national health program is that it does not give anybody anything. Every beneficiary

would pay 1½ percent of his income up to $400 a month. If he made a hundred dollars, he would pay a dollar and a half. If he made $400 a month, he would pay $6. Whereas, in England, eight-ninths of the cost is borne out of the General Treasury, and only one-ninth is contributed by the beneficiary. And we claim that the plans advocated by some of our colleagues contemplate giving to the people out of the Federal Treasury health care and cost to the extent that they cannot pay for it.

Well, you know, if you are going to give them anything like what they should have, it is going to cost billions out of the Public Treasury, National and State. And if they do not realize that they are paying for it directly, they may demand more and more. But if you tell them, as you do with social security, old-age and survivors insurance, and so on, that, "If you want more, you have to deduct more from your pay-roll taxes," it becomes something that has to be taken into account.

The way we do with railroad retirement, if we increase the benefits, you may have to pay more, have a larger deduction from your pay check every month; and then you associate the benefits you get with the cost of it, that you have to pay a part of.

And this thing everybody will pay. It will be a universal payment. Because everybody that buys anything, and everybody who makes directly more than $250 a month, will have to pay. So there is universal coverage and universal payment. But there is universal benefit.

And so, Mr. Chairman, I respectfully offer our bill, S. 2181, as a substantial substitute, and a preferable one, to H. R. 6000.

The CHAIRMAN. Thank you very much, Senator.

Senator PEPPER. Thank you very much for your kind indulgence, Mr. Chairman, I wonder if you would like to hear Dr. Townsend now?

The CHAIRMAN. Dr. Townsend is on the list as the next witness, following your statement.

STATEMENT OF DR. FRANCIS E. TOWNSEND, PRESIDENT, THE TOWNSEND PLAN FOR NATIONAL INSURANCE, CLEVELAND, OHIO

Dr. TOWNSEND. Shall I go ahead, Mr. Chairman?

The CHAIRMAN. Yes; Doctor. You may have a seat if you wish.

Dr. TOWNSEND. Thank you, Mr. Chairman.

I am going to make an unusual request of the committee. I have a prepared statement, but it is so inadequate and so lacking in the things that I want to present to you, that I am going to ask the privilege of setting this aside and giving it to you to use later, so that I may be able to talk to you in my own language.

I have given many years of study to this social question. I believe I can present to you reasons for immediate action to correct some of the evils of our capitalistic system that perhaps not many have given thought to. With your permission, proceeding in that way, I shall not take any more time, perhaps, than I would in reading my statement, and this will supplement it.

I want to call to your attention the fact that the unrest and the upheaval of society which is characteristic of our own country today is not confined to America. It is all over the world. Every country

under the sun today is going through the throes of this trouble. And I submit to you that there is just one reason for it all.

Why, look. In far away Siam and Indochina the people are revolting today. They have already revolted in India from the British rule. In China there is chaos all over the country. In every civilized country on the globe this trouble is proceeding. It is growing in volume. There is a terrific unrest and discontent with the situation as it exists today.

What is the cause of it? Why, it can be stated in one word: Exploitation.

The people of the world are being exploited everywhere, and they are in revolt. This isn't going to stop until some rational settlement is adopted.

Let us not be forgetful, thinking that we are safe here in America. I understand that there is a coal strike on at the present time in America. There is a strong discussion of a strike in the telephone business. The strike that has just been settled in the steel industry is merely a truce. It isn't going to last any length of time. And here of late you have noticed that a demand for pensions is growing, all over the country, our own country.

What does it all mean? It means that the people are cognizant of the fact that no matter what they do, the working classes, they never can get ahead enough to have security in this land. And they aren't going to be satisfied. No compromise that can be proposed is going to satisfy the people. And right now, if we would avert the growth of communism, the sentiment for communism and socialism in America, we will do something to quiet this unrest. We will base our remedy for it on scientific principles, not on guesswork.

I am amazed that we listen so ardently to the presentation of individual cases. Why, we are holding the tree before our eyes and can't see the forest because of it. Everybody knows of these individual cases of neglect among the old people, but it isn't they alone that are occasioning the discontent. It is the common working people everywhere, who know that they are being exploited.

And the reason for it is just this: The employing groups in this country have the power to state what the compensation shall be for labor and also the power to put the price upon what labor has to sell.

Now, between these two forces, the people are continually ground down to a state where it is utterly impossible for a working person to ever acquire enough property, if he sticks to the wage system, utterly impossible for him to ever have security for himself. It is impossible. He can't do it.

Why, we take away from him in direct taxes pretty nearly half of all that he earns. During the war the cruelest tax that was ever imposed upon the people was the withholding tax of 20 percent, one-fifth of all the laborer earned. Then on top of that we have the direct tax for maintaining social security, for unemployment compensation; and the Government instituted a sales tax, one of the cruelest in the world, that the common people have to pay.

Gentlemen, this just can't go on. The American people are a sovereign people. They aren't going to tolerate a government very long that permits them to be exploited and abused.

I love my country. I have lived in it a long time. It is the best country on earth. I want to keep it the best. I want to see it

improve. And I believe it will be improved. But I want to submit to you that all the economic ills that the world has ever suffered from originating in government. Don't forget that fact. They didn't originate among the common people.

Now, government, as I see it, should be in the lead of the people all the time, showing them how to better their condition, showing a keen interest in the welfare of all of the people, not the special groups. This must be done, and the way to do it, it seems to me, is simple indeed. We must base the compensation of labor upon our national ability to produce wealth. Business is the only source of wealth. Through business we create all man-made wealth. Let us ascertain as quickly as possible what the potential ability of this country is to produce wealth. We have never known definitely; for the reason that in computing the income of the country we combine the gross income of the laboring people, the wage and salary workers, with the net income of the privileged classes, the employers. Well, it is altogether a false conclusion that that is the gross income of the country.

If it is fair and just to tax the lowest income group on their gross income, which we are doing constantly, is it unfair to state that those who have the power to set the price upon what they sell shall also pay upon their gross intake? There is nothing unjust about that. And we will find, if we ever compute the gross income of this country, in both of these classes, the laboring classes and the employing classes, that the volume of business done, which is the measure of the wealth created, will be prodigiously more than anything we have ever conceived of. That is why we say if we take 3 percent of this gross income monthly and divide it equally among all of the incapacitated people, elderly citizens or adult citizens of this country, this 3 percent will produce enough money to maintain the highest standard of living for 16 to 20 millions of these people.

In doing that, if we can do that, we will immediately insure the welfare of all of the people, because eventually all of the people, young and old, will come into this same class in time.

If we insure the welfare of all of the people, we also insure business. And that is exactly what business wants today, everywhere: an insurance of a progressive type, one that will not be subject to the grave danger of depressions, one that will not be subject to the violent criticism and anger of the people who are toiling and creating the wealth of this country.

If we want to see communism grow in this country, let us just keep on depriving the people of their just dues. The working class in this country have never been able to get their just dues. It is inherent in the system that they shall not. No one hires a man to work for him without expecting to make more out of him than he pays him. Otherwise there is no point in employing. Don't you see, that is nothing more nor less than legalized robbery? Let's do away with it. We don't have to do that. America can set an example to the rest of the world that all the world will emulate, if we can bring about a situation whereby we will eliminate poverty from this land. Our capabilities are such that we can do it.

We have already solved the problem of production, and today if we wanted to utilize our full productive ability and run this country on a three-shift basis we can produce more wealth than we can possibly use.

Even in two shifts we can do it. What shall we do with the surplus? What is going to happen in a very brief time if we do not readjust things so that the goods can be sold that we are capable of turning out?

Today our system is rapidly dividing the population into two main groups, the employed and the unemployables. Now, the one group is diminishing in numbers, the unemployed group. With every labor-saving device some person is shoved out of the employed class and thrown over into the unemployables. It is getting so that an individual who is beyond 45 years of age has a hard time getting a job. He is not needed.

Look at our farms. Forty years ago or fifty years ago, two-thirds of all our people lived on farms. Less than one-third are living there now. The rest have crowded into the cities and towns in the hope of finding employment, which is occasioning terrific problems, social problems, in every town and city and hamlet in the land. What will we do with these people?

Don't you see, gentlemen, that the time has arrived when the burden of unemployment is going to be more than the Nation can bear? Are we going to saddle our future generation with the cost of taking care of millions of people unemployable because of age, sickness, or accident? That class of our people is growing inordinately, at the expense of the entire population, while the employed group in proportion to the population is diminishing in numbers.

Senator KERR. Do you know the number gainfully employed in this country today?

Dr. TOWNSEND. I couldn't state it offhand. I know it is greater than ever before, but, bless your soul, it should be much greater than it is.

Senator KERR. Do you know the number of unemployed employables?

Dr. TOWNSEND. Unemployables?

Senator KERR. No, the number of those who are employable who are unemployed.

Dr. TOWNSEND. No, but we can classify them in this way: The unemployables are the aged, the sick, the crippled, and the blind. They did total, 4 years ago, something over 16,000,000 people.

Senator KERR. Well, now, is that the group which you say is increasing?

Dr. TOWNSEND. That is the group that is increasing, yes.

Senator KERR. I did not understand that. I understood you to say that unemployment was on the increase and the number of employed was on the decrease.

Dr. TOWNSEND. The unemployable group, the aged, sick, crippled, and blind, is growing in proportion to the population, while the employed group is growing less in proportion to the population.

Senator KERR. You say the number which you refer to is growing both numerically and on a percentage basis?

Dr. TOWNSEND. Yes, sir.

Senator KERR. Do you have the figures?

Dr. TOWNSEND. I have the figures on that.

Senator KERR. Would you supply them to us?

Dr. TOWNSEND. Yes.

(The information to be supplied follows:)

[From Current Population Reports, Labor Force, Bureau of the Census January 6, 1950]

THE MONTHLY REPORT ON THE LABOR FORCE: DECEMBER 1949

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TABLE 1.—*Summary of estimates, November and December 1949, and December 1948*

[Persons 14 years of age and over]

Employment status	Dec. 4-10 1949	Nov. 6-12 1949	Dec. 5-11 1948	Net change	
				November and December 1949	December 1948-49
Total noninstitutional population	110,169,000	110,003,000	109,036,000	+166,000	+1,133,000
Total labor force, including armed forces	63,475,000	64,363,000	62,828,000	−888,000	+647,000
Civilian labor force	(62,048,000)	(62,927,000)	(61,378,000)	(−879,000)	(+670,000)
Employed	(58,550,000)	(59,518,000)	(59,434,000)	(−968,000)	(−878,000)
At work	57,019,000	57,808,000	57,751,000	−819,000	−732,000
35 hours or more	47,038,000	42,971,000	48,960,000	+4,067,000	−1,922,000
15-34 hours	7,637,000	12,039,000	8,993,000	−4,402,000	−1,356,000
1-14 hours	2,340,000	2,229,000	2,198,000	+117,000	+242,000
With a job but not at work	1,538,000	1,680,000	1,684,000	−142,000	−146,000
Unemployed	(3,489,000)	(3,409,000)	(1,941,000)	(+80,000)	(+1,548,000)
Not in the labor force	46,694,000	45,701,000	46,208,000	+993,000	+486,000

NOTE.—Because of the occurrence of the Armistice Day holiday in the survey week of November 1949, large numbers of persons were temporarily working fewer hours than usual. Therefore, the hours worked estimates for this month are not directly comparable with those for other months, and differences should be interpreted in that light.

(Parenthetically enclosed figures in the above table indicates items specifically pertaining to Senator Kerr's requests for data on p. 683 hereof.)

Dr. TOWNSEND. Now, we believe that this trouble can be settled amicably and in such a manner that labor and the common people who are unemployable will be perfectly satisfied. But first we must know definitely what our ability to produce is in this country, measured in dollars. We have never known; for the simple reason that a net income return added to the gross income return of labor is never going to tell the story. Let us have a gross income tax levied against all business. Certainly if the laboring man can pay on his gross income, industry, business, can do the same thing, because business has all the advantages. It has the power to set the price on what it has to sell. Labor does not. It has the power to say what price the laboring man must pay for the things that he must have. That isn't going to be tolerated very long. And that is what all of this unrest in America is about. That is the reason for all these strikes in the country. This growing organization of the laboring people is getting to be a terrific thing.

Organized labor—just recently what a turmoil it has created by demanding pensions. They only did that just a few months ago, but they are very persistent about it. And already they are finding that a fixed pension isn't the answer. The coal miners have already discovered that. The $100 a month proved altogether inadequate. It wouldn't work. It never will work; for the simple reason that we will hand this fixed pension to the people with one hand and take it away from them in increased prices with the other. The laboring people have no recourse. They are not going to be satisfied with this.

Already there is a strong inclination on the part of all laboring groups to amalgamate politically. They are going to do that, gentlemen. And unless we have a definite, clear-cut, scientific program to

present to them, God knows what kind of a Government we are going to have. They are going to upset the one that we have now, by vote, just as sure as you live.

I talked with one of the important heads of labor only 2 days ago. He says and these are his exact words "It is inevitable that the working people, the employed people, and the unemployables, are going to unite politically. In every congressional district that is our aim: to bring them together."

Their interests are identical. They will get together. Now, do we want chaos in Government? Do we want inexperienced people to overcome our present Government and set up something? There is no pattern for these people to follow that they know about, other than communism or socialism. The world has never experienced anything else but communism, socialism, and capitalism. Where are the people going to turn for a precedent if they want to set up a just and decent sort of government? For heaven's sake, let us set the example here in America. Let us say to the rest of the world: America, through the profit system, has discovered the way of producing abundance in this country.

I believe we could disarm Russia immediately in her criticism of our form of government if, in addition to preparing for this cold war, and perhaps a fighting war later on, expending billions and billions of dollars for that purpose, we could demonstrate that in addition to this terrific cost, if you want to call it cost, we can eliminate poverty from our land utterly. We have the wealth with which to do it. All we lack is the distributing system. I believe that we could disarm Russia immediately in her criticism. I believe all the rest of the world would want to emulate us immediately.

We can do it. We will do it. But I fear that we will go through a chaotic period before it is done, unless this present Government awakens to the facts and does something to avert the disaster by recognizing the cause of all of this unrest. We had better do it, gentlemen. We had better do it rapidly.

I thank you for your interest. I have a prepared statement here that I will leave with you. But these are the things that I could not very well present in a paper.

The CHAIRMAN. You may file your statement, Doctor, with the reporter, your prepared statement. Thank you.

Dr. TOWNSEND. Thank you very much.

(The prepared statement of Dr. Townsend is as follows:)

STATEMENT OF DR. FRANCIS E. TOWNSEND, PRESIDENT, THE TOWNSEND PLAN FOR NATIONAL INSURANCE

Since this is the second time that I have had the privilege of testifying before this distinguished committee, I feel quite at home with you gentlemen. I know that you have labored long over this complex problem of adequate social security, and that you have listened, during the past weeks, to many divergent points of view. During the time allotted me I want to speak briefly about the Townsend Plan for National Insurance—what it is, how it would operate in practice, and why we of the Townsend organization believe it is the answer to the crucial pension problem with which we are faced today.

Let me begin, if I may, with a summary of the Townsend plan itself.

We propose the creation of a Federal mutual insurance program which would guarantee monthly payments to four classes of our citizens. They are:

1. All persons 60 years of age or older who have retired, for whatever reason, from gainful employment.

2. All persons who are totally blind, and are unable to earn their own living.
3. All persons who are totally and permanently disabled.
4. Widows with dependent children under the age of 18.

These monthly pension checks would be paid as a matter of right. There would be no means test, pauper's oath, responsible relatives clause, or residence requirements. American citizenship would be the only qualification for those otherwise eligible. We would ask, however, that each recipeint spend his full month's check before receiving his next one, because we view the Townsend plan not only as a pension proposal, but also as a method of maintaining full purchasing power at a constantly increasing level. We believe good pensions are good business, and that a pension program worth its salt must be an integral part of the whole economic picture.

We propose to finance these pensions by means of a tax levied against gross income, with business and industry assessed on total gross, and individuals taxed on all earnings in excess of $250 a month, or $3,000 a year. We advocate this exemption for individuals in an effort to protect, as much as possible, basic purchasing power of the lower income groups. In this respect we differ radically from proponents of the Social Security Act, who favor the principle of taxing the first dollars earned, while exempting all income over and above an established minimum.

We suggest, as a starting rate, a tax of 3 percent on gross income. But we stress the flexibility of the program we recommend, and we suggest that any legislation passed be made flexible enough so that this rate could be increased or decreased as the situation warrants.

The revenue thus raised would be distributed, on a pro rata basis, among all those who have qualified for the pensions. There are in the neighborhood of 16,000,000 persons who might conceivably qualify by reason of old age, blindness, or disability, but not all of these, of course, would apply for the pensions. Many would doubtless prefer to remain at their jobs, where they would continue to earn more than they could expect to receive as a pension. Based on the latest statistics that we have been able to muster, we estimate that pensions under the program we suggest would amount to approximately $150 a month.

That really is all there is to the Townsend plan; in fact, we are proud of the fact that our entire program as expressed in legislative form is contained in a bill of only 16 pages, whereas the complicated Social Security Act consumes hundreds, not even taking into consideration the amendments proposed in H. R. 6000.

Recent developments have proved that our country is ready for a national pension covering all the people. And I say that if we are going to have a pension system, let us have a good one. Let us have one that offers genuine security to our people. Our citizens are not satisfied with the ridiculous amounts paid under the Social Security Act. They want a sum large enough to enable them to live in ordinary decency. They haven't it today. They would get it under the Townsend plan.

The arguments for a national retirement program—whether it be the Townsend plan or some other system—are too well known by now to belabor the point. We know that our population is growing older as the result of medical discoveries and improved public health techniques. We know that our technological advances are rapidly approaching the point where machine power threatens to displace manpower on a truly astounding scale. A push-button economy is just around the corner.

We are going to be faced in future years with a large population of elderly persons who will be unwanted by industry because there will be plenty of younger men and women who will be able to do all the work there is to be done.

What are we going to do with these folks? Shall we treat them as the objects of charity? Shall we dismiss them with a miserly hand-out—as, indeed, we are already doing under the old-age-assistance sections of the Social Security Act? Or shall we retire them in dignity, with a pension that is theirs as a matter of right?

I ask you, gentlemen, which course is better for business? As a shopkeeper or factory owner, which would you rather have in your community a colony of poverty-stricken old people unable to purchase the goods that you offer for sale? Or a group of older people with sufficient purchasing power to help keep you in business?

I repeat, gentlemen, that good pensions are good business. The 2,600,000 old people on old-age assistance who receive an average monthly grant of $46 represent an economic cancer on our society. They are unhappy and poverty-stricken—and from a humane viewpoint we must help them. But they are also a drag on the business life of our Nation. They are unable to spend money at the retail

level. And as a result, business has lost 2,600,000 customers. Can business afford a loss like this? I do not think so.

Organized labor has shown that it means business. It is going after its goal of $100-a-month pensions because it realizes that it can hope for nothing under the present Social Security System. Private industry pensions are springing up on every side. The result is bound to end in utter chaos.

This committee has an opportunity to exhibit statesmanship of the highest caliber. It can reject continuation of outmoded stop-gap relief measures such as those contemplated in H. R. 6000. It can take the bull by the horns and offer the American people something they are going to get sooner or later anyhow. This committee can insist that Congress repeal the Social Security Act now—before it is too late.

It can insist that we establish in this country a real national insurance system, based on the mutual principle of insurance, that will offer protection to everyone and that will be paid for by everyone during his years of gainful employment. It can, in short, pave the way for the adoption of a system that will make our people genuinely secure in the event they can no longer earn their living in business or industry.

And now, Mr. Chairman, if I may, I should like to have our statistician, Mr. John Doyle Elliott, offer you some data supporting the general arguments I have presented.

The CHAIRMAN. R. C. Townsend? Did you wish to make a statement?

STATEMENT OF ROBERT C. TOWNSEND, TREASURER, THE TOWNSEND PLAN FOR NATIONAL INSURANCE, CLEVELAND 5, OHIO

Mr. TOWNSEND. Yes, Senator, if I may.

The CHAIRMAN. You may identify yourself, Mr. Townsend. You are the treasurer of the Townsend Plan for National Insurance?

Mr. TOWNSEND. Yes, Senator, the Townsend Plan for National Insurance.

The CHAIRMAN. You may proceed, Mr. Townsend.

Mr. TOWNSEND. Gentlemen, Dr. Townsend has described for you the nature of the program we advocate. He has explained how we propose to insure citizens against loss of earnings in the event of old age or disability. I should like to devote my testimony to a discussion of why the organization I represent believes the Townsend plan is the answer to America's pension muddle.

Specifically, I want to explain our reasons for believing that the Social Security Act ought to be repealed immediately, that the myriad of private pension schemes ought to be abolished, and that a single, all encompassing program such as the Townsend plan should be substituted in their places.

Parenthetically, let me state that I see no need to argue the case for pensions as such. Fifteen or twenty years ago the idea of pensions for all might have seemed frivolous, or even revolutionary, but not so today. Organized labor's fight for security in old age, the existence of some 13,000 private pension plans, the very existence of the social-security program, and the fact that this committee is holding extensive social-security hearings—all point to the widespread acceptance of the pension principle. And I am confident that the members of this committee share the general sentiment, for after all, Congressmen enjoy what is perhaps the most generous pension plan of them all. I shall therefore confine my statement to the consideration of why we believe the present social-security program and the many private

plans are the wrong approach to pensions, and why we think the Townsend plan is a better way.

The Social Security Act, both as it now stands and in that monstrous amendment known as H. R. 6000, surely stands as one of the most fantastic documents in legislative history.

It is cruelly misnamed, for it offers no security at all. Today, a full 15 years after its passage, it doles out an average "benefit" of $26 a month.

Senator KERR. You mean H. R. 6000 does?

Mr. TOWNSEND. The original bill, Senator; not H. R. 6000.

The CHAIRMAN. You mean the current law.

Mr. TOWNSEND. The current law, the Social Security Act; yes, sir.

Senator KERR. I understood that; but I do not so understand the statement to identify it.

Mr. TOWNSEND. The Social Security Act, both as it now stands and in that monstrous amendment known as H. R. 6000, surely stands as one of the most fantastic documents in legislative history.

It is cruelly misnamed, for it offers no security at all. And I refer, of course, to the Social Security Act, Senator, the original act. Today, a full 15 years after its passage, it doles out an average "benefit" of $26 a month. Think of it—85 cents a day—28 cents a meal with nothing left over for rent or clothing! This is what masquerades in the guise of "security."

And this so-called Social Security Act is so illy conceived and so unjustly written that 2,600,000 poverty-stricken old folks cannot quality under the insurance section for a single penny. They must rely on charity hand-outs under the old-age-assistance section. They receive about $45 a month—$1.50 a day on which to keep body and soul together.

And they can't even get that until they have been forced to run the gamut of every humiliating device that professional case workers can dream up. Hitler and his Gestapo would have been proud of the army of professional snoopers that today makes life miserable for this unfortunate 2,600,000. I am not exaggerating, gentlemen. Nor am I trying to appeal to your hearts. I am appealing to your fundamental sense of justice and decency.

Imagine your mother as one of the 2,600,000 charity cases. It could happen, you know. Before she could get a penny she would be obliged to take a pauper's oath. A case worker would visit to make sure she was not lying, by prying into her most intimate affairs. In most States she would be compelled to agree to a lien by signing her home over to the State. And even then she might not be eligible because most States impose rigid residence requirements.

That is the way the British took care of their old people under the regime of Queen Elizabeth. But at least they had the honesty to label their legislation the "Poor Laws." We treat our people the the same way and have the gall to call it "social security."

So much for present payments under the Social Security Act. It doesn't make much difference whether you starve to death as a matter of right on an average insurance benefit of $26 a month or whether you struggle along as a client of charity on an average of $45 a month. In neither case, if I understand the term correctly, are you getting anything remotely approaching "social security."

Propagandists for H. R. 6000 have assured you they have an answer for these ills. We are glibly informed that under the proposed amendment old-age insurance benefits would be increased, on the average, by 70 percent. It sounds impressive; after all, 70 percent is a whopping increase. But let's see. The average old-age insurance benefit is $26. Seventy percent of $26 is $18.20. And $26 plus $18.20 adds up to $44.20 that the insured old people are going to get—almost as much as the relief clients on old-age assistance are already getting.

If the social-security protagonists weren't so dishonest they would tell the old people of this country what H. R. 6000 proposes to pay in dollars and cents instead of trying to mislead them with lofty references to "70 percent increases."

Let us tell the people the truth. H. R. 6000 would do nothing for the old people but perpetuate the cruel system we already have. The aged would still receive pittances instead of pensions. H. R. 6000 would do nothing to interfere with the medieval charity system which flourishes under the present program. The pauper's oath would stay. So would the lien law. So would the case workers.

Even if the present program or H. R. 6000 could include all the people on an insured basis—which cannot be done—the scheme would still fall far short of the American principle of equality for all.

The United States Public Health Service offers its facilities to all citizens—rich and poor alike. Our public schools do not inquire into the economic status of parents before accepting children for instruction. The highways are for all to use. Police and fire protection is given in equal measure to the rich and the poor.

But not so with our pension system.

The social-security program is geared to pay the highest insurance benefits to the highest wage earners and the lowest benefits to the poorest earners. Thus we have, in effect, an instrument to make the rich richer and the poor poorer. Those who need the least help in their old age will get the most. Those who need the most help will get the least.

Even the apologists for the Social Security Administration cannot claim that H. R. 6000 will correct this. It will make it worse because it proposes to increase the taxable wage base from $3,000 to $3,600 a year, thus giving those who earn more than $3,000 a year an opportunity to accumulate additional wage credits, and hence a larger ultimate benefit. What happened to the great mass of people who earn less than $3,000 when H. R. 6000 was concocted? They got lost in the shuffle.

If we're going to have a pension system in America—and we are—let's have one that is equitable. A program that favors the well-to-do and penalizes the poor isn't the kind of thing the American people want. And it certainly isn't "social security."

Perhaps the most telling fault of the present system is its utter lack of flexibility. We are saddled with a static instrument in an era of dynamic changes. The Social Security Act was conceived in a year of depression, it was born of a depression philosophy, and it was geared to the depression concept of the value of a dollar. That is why it has proved a complete failure today. And that is why H. R. 6000, if it is permitted to pass, will prove a ridiculous compromise 5 or 10 or 15 years hence.

The trouble, I think, is that we have an unfortunate tendency to regard pensions as a special problem outside the pale of ordinary economic activity, instead of as an integral part of the whole economy.

Let me illustrate:

Congress would not dream of passing a law today setting the price of steel—or any other commodity—in 1960 or 1965. When Congress enacts minimum-wage legislation, it expects the standards set to apply to the immediate present; it does not presume to say what a laborer shall receive 10 years from now. Income-tax laws are considered on an "as we go" basis; no one would seriously advocate that the Eighty-first Congress establish the tax rate for 1970.

But we cheerfully vote ourselves pension plans which involve scales of benefits to be paid in the far future.

This doesn't make sense. It doesn't make sense for at least two important reasons——

Senator MILLIKIN. May I add that you are also setting up obligations for the future, under the same unrealistic procedure.

Mr. TOWNSEND. Indeed we are, sir; monetary obligations, for which we are making no provision today. In other words, we are laying aside no money to back up these promises that we are making for the future.

Senator MILLIKIN. The promises cannot be evaluated in terms of real purchasing power of the dollar.

Mr. TOWNSEND. No, sir.

The two reasons are:

1. Nobody in this world knows what a dollar will be worth in 1960 or 1965. A $100 a month pension might sound fine today. It might prove to be completely inadequate 10 or 15 years from now.

2. The prediction of economic developments is far from a science. For example, any consideration of future pension policy might reasonably call for reliable population estimates, since we would need to know how many elderly people would qualify in the years to come. But the population experts have been proved wrong time and time again.

According to Dr. Joseph S. Davis of the Food Research Institute, the leading authorities only 10 years ago were predicting the population would not reach 160,000,000 until 1970 or later. But today the experts say that figure will actually be reached by 1955, and perhaps earlier. Any static pension program based on the earlier estimates would obviously be in serious trouble today.

If we are going to have genuine social security the pensions paid must be geared to the cost of living—to the present cost of living, not the imagined cost a decade from now. It can't be done under the Social Security Act, with its future promises to pay, with its involved trust fund, and with its rigid scale of future benefits.

What is needed is a pay-as-you-go system with current pensions paid out of current revenue.

I believe that the people of this country understand these facts. That is why a social and economic revolt is brewing right now. How else can we explain the fact that there are already more than 13,000 private pension schemes in operation? How can we explain organized labor's insistent demand for $100 a month pensions? Why do so many State pension organizations—especially those on the west coast—promote State programs that are submitted to the voters at nearly

every election? Why, as a matter of fact, did Congressmen find it expedient to vote themselves pensions?

The answer isn't hard to find. More than 13,000 companies have set up their own programs because they recognized that the Social Security Act has proved a failure. The men and women of organized labor are agitating for $100 a month because they have become disgusted with the $26 average paid under social security. And you Congressmen voted yourselves a special pension plan because social security wasn't good enough for you. Well, it isn't good enough for the common people, either.

Social security began as an economic and a social issue. Within the past 6 or 8 months it has suddenly become a political issue as well—perhaps the No. 1 political issue of the times. It is going to be a very important political issue in 1950.

The members of this committee are in an excellent position to see just how political social security has become. Among witnesses who have previously appeared during this hearing have been representatives of various State welfare boards. They have asked you for more power, more Federal money, more bureaucracy. They want to perpetuate the present system and make it bigger and bigger than ever.

Political lines are being drawn in the labor union demand for pensions. The Congress of Industrial Organizations, with its industrial union set-up, might be able to win $100 a month pensions for many of its members. But what about the American Federation of Labor, with its craft-union type of organization? It is hardly in a position to duplicate the CIO's accomplishments. Yet, as a distinguished member of this committee has observed, if steelworkers and miners are to receive $100 a month pensions, why not molders or waiters? Why not, indeed?

Yes, gentlemen, we are faced today with an issue that is not only social and economic, but highly political as well. And with that thought in mind, I would like to close my testimony by offering three recommendations:

1. Let Congress and its committees undertake a study to decide what proportion of the wealth we create should be allocated to the elderly retired citizens of this Nation.

2. Let Congress enact a pension program that would be financed with a tax on the wealth produced, and paid immediately to those who are retired. We, of course, suggest a gross income tax as the most effective levy for this purpose.

3. Let the Government assume the role of a tax-collecting and pension-distributing agent; and let it abandon its present role as a guarantor of a specific sum to be paid each month as a pension.

Thank you, gentlemen.

The CHAIRMAN. Any questions?

Mr. TOWNSEND. Mr. Chairman, if I may, I shall request your indulgence to permit Mr. John Doyle Elliott, who is a statistician for the Townsend organization, to appear before you at this time.

The CHAIRMAN. Come around, please, Mr. Elliott. We shall be glad to hear from you this morning. Will you identify yourself for the record?

STATEMENT OF JOHN DOYLE ELLIOTT, STATISTICIAN, THE TOWNSEND LEGISLATIVE BUREAU, WASHINGTON, D. C.

Mr. ELLIOTT. I am John Doyle Elliott, statistician for the Townsend Legislative Bureau.

The CHAIRMAN. Where is that bureau located?

Mr. ELLIOTT. It is located at 305 Pennsylvania Avenue SE., Washington, D. C.

The CHAIRMAN. And how is it supported, Mr. Elliott?

Mr. ELLIOTT. It is a part of the Townsend National Recovery Plan, the Townsend Plan for National Insurance, Inc.

The CHAIRMAN. It is a part of the regular organization?

Mr. ELLIOTT. That is right, sir.

The CHAIRMAN. You are a full-time employee?

Mr. ELLIOTT. That is right.

The CHAIRMAN. Have you a staff?

Mr. ELLIOTT. Yes, sir. We are a staff, a legislative staff.

The CHAIRMAN. I mean besides yourself.

Mr. ELLIOTT. I am a part of the staff.

The CHAIRMAN. How many people are in that staff?

Mr. ELLIOTT. Well, that varies. The director of that staff is Mrs. Ford, who is present, Mrs. J. A. Ford, and her clerical aide and various officers of the organization, two of whom have appeared here this morning, work here with the staff from time to time as occasion arises. The size of the staff will vary as needs and circumstances dictate. Mrs. Ford and I are here all the time, in the last couple of years, with clerical help.

The CHAIRMAN. Yes, sir. You may proceed with your statement.

Mr. ELLIOTT. Mr. Chairman, this statistical analysis of how the Townsend plan, embodied in S. 2181, would have operated during the months of 1948 and 1949, is contained, item by item, in table No. 1 accompanying this statement.

At the very outset it is to be pointed out that these figures are directly based upon specific reports of the following official, authentic agencies:

1. Reports of the Federal Reserve Board as presented monthly in the Federal Reserve Bulletin.

2. Reports of the Department of Commerce as presented monthly in the Survey of Current Business.

3. Reports of the Bureau of the Census as presented in current population reports.

4. Reports of the Social Security Administration, regularly and specially issued, dealing with the operation and development of the Social Security Act.

The references herein made to these various sources are specifically designated and their application in the case of S. 2181 definitely set forth.

This analysis is also designed to present the maximum—I repeat: maximum—estimates of this program in terms of dollar volume involved by it in the operation of our national economy.

Table 1 contains each and every element, derived from the above sources, that make up this analysis. We have prepared this tabulation for the purposes of ready reference and to make possible as great

a devotion of our time here as possible to discussion rather than being involved in endless reading of figures.

Chart No. 1 is likewise for these purposes and to provide an immediately available visual picture of the statistical magnitude and proportions involved in this program.

Appendix A entitled "Elements of the Analysis of the 3 percent Gross Income Tax Proposed to Finance S. 2181," describes the various factors and their sources and derivation and application, so far as the financial side of the analysis goes.

Appendix B entitled "Number of Beneficiaries Under the Townsend Plan, Embodied in S. 2181," likewise gives the break-down of the classes of beneficiaries the bill is designed to cover, their total and specifies the sources from which they are derived.

At the outset let me point out that in 1948 and 1949 the total business turn-over in the United States ran at an average of about $110,000,000,000 a month.

Along with this, it is to be noted that averaging the personal income of the United States among the persons over the age of 14 years, for 1948, the figure is a little better than $1,926. I refer there to the Survey of Current Business, Department of Commerce, National Income number, July 1949, page 10, table 3 gives the total of personal incomes as $211,900,000,000. Census Bureau reports show we had nearly 110,000,000 persons over the age of 14 years.

This figure of $1,926 is the average amount of money, in terms of the living standard norm, that we spent on the average adult citizen of the United States in 1948. It is the standard aimed at in this program.

It is in the light of these specific statistical factors, as applied in the table and the chart, that we wish to discuss the following particular matters:

First, we wish to call attention to the absolute pay as you go character of this program. There are no if's or but's about this matter. This program is absolutely based upon and embodies the pay as you go principle.

Senator MILLIKIN. Mr. Elliott, is that not another way of saying that you take in dollars of a current value and pay out dollars of the same buying power?

Mr. ELLIOTT. That is right.

Senator MILLIKIN. That does not involve you in this business of promising future dollars both on the collection and the paying side, the value of which you cannot possibly estimate?

Mr. ELLIOTT. Exactly, sir. That is specifically the objective, pure, simple, and absolute.

There are no reserve funds of any kind whatsoever. There is no question of future interest—not one red penny of it—involved. There is no deficit spending on any count whatsoever. Furthermore, it is to take the place of the interest-bearing program we now have.

Secondly, we wish to discuss with you the matter of cost as applied to this program as distinguished from other kinds of governmental activities financed by taxes.

Once set up—and an examination of the table and the chart will make this perfectly clear—with this program operating on a monthly turn-over basis, there would not be any money taken out of the

national economy by the 3-percent gross income tax that would not be counterbalanced by a corresponding amount of money being, at the same time, put into the national economy in the form of the annuity incomes to the beneficiaries.

This program would not be taking money out of our general economy. Further on the matter of cost, we point out that in a program like this one, we would not be using manpower and materials that otherwise would be available to our economy as is the case with most of the activities of Government and which most taxes are paid to finance.

The truth is—and we think it is a plain and obvious truth today—this program would amount to exactly this:

A stabilized distribution of income among the population to that extent necessary to provide completely adequate old age, disability and family-aid insurance for all citizens of the United States.

This process, we submit, would not burden our economy. It would not take any money out of it at all, actually. It would simply finance a most grievous problem out of existence.

This program—we might say—would cost money only in the sense that prosperity costs money—not in the sense that battleships, B–36's and bureaucracies cost money.

You see, gentlemen, in these respects we differ utterly from the philosophy upon which the present Social Security Act is founded.

This is a fundamental matter that we wish to discuss with you here today and at any and all times hereafter that may be possible. On this count we sincerely invite questions.

In the third place, we have long noted that many people here on Capitol Hill seem to fear that if we go ahead and put all of this extra money into circulation, we shall bring about inflation in our national economy. This is a very important question and, frankly, we would not want to bring about any inflation, or for that matter any deflation, in the national economy.

We note that our national leadership swings from cold sweat over the fear of inflation at one time of the year into another round of cold sweat over fear of deflation at the other side of the cycle. Always there seems to be an impending fear of the one or the other.

What we believe, after some 15 years of continuous study of the subject, is that in this program we have a stabilizing—an effective buttress against this constant fear of inflation—deflation-depression that pervades our national life.

Just turn to table 1 and chart 1 with me. Note how the high month of December 1948 was an historically high-volume business month.

Parenthetically, on the chart attached here, on the last two sheets of this testimony, in December of 1948 the total business turn-over as here identified and specified and defined, totaled over $134,000,000,000.

Then note this—the money which this program would have collected from that titanic business volume in the month of December 1948 would have been distributed under this bill in February or March of 1949.

That picture is drawn on the chart, on the last page of this statement.

Senator KERR. Which chart do you refer to, may I ask?

Mr. ELLIOTT. The chart is on the last page. This is the table [indicating], and this is the chart.

Senator KERR. Appendix A?

Mr. ELLIOTT. That is right, sir. Appendix A immediately follows this statement, here, and is headed as such: "Elements of the analysis of the 3 percent gross income tax proposed to finance bill S. 2181." And appendix B deals with the estimates of the number of beneficiaries that would be involved.

Table 1, here, contains, in the figures on it, both the figures for the beneficiaries and the financial figures involved. The chart embodies the transferral of those figures to a visual basis from October 1948 through November 1949, 14 actual operating months.

Now, gentlemen, can anyone seriously fail to comprehend, now, how that extra lift to buying power in the spring of 1949—when the first fear of deflation flooded the headlines—would have contributed to preventing the failure of 1949 to measure up to 1948 in its magnitude.

Senator MILLIKIN. On what page are you reading?

Mr. ELLIOTT. The first paragraph at the top of page 4. I will read that over for you, sir, in view of the chart there, and those figures.

Gentlemen, can anybody seriously fail to comprehend, now, how that extra lift to buying power in the spring of 1949—when the first fear of deflation flooded the headlines—would have contributed to preventing the failure of 1949 to measure up to 1948 in its magnitude.

There is no sense, seriously, in anyone talking about putting more billions of dollars suddenly into circulation through this program. In the first place, it would involve about $3,000,000,000 a month to be turned over through the program. Anybody should easily realize that most of this money would be not additional, but shifted from all other classes of our people and business to the incomes—and expenditures—of the very classes of our population who do not have effective buying power.

This "shifted" money would be in no true sense a loss to the producers any more than if they put the money in the bank for their own later use—because they would thus be earning like protection and security later on for themselves.

However, these people to whose income it would be shifted would spend the money for the social goods and services—the items of production that really provide employment and prosperity for our people and our Nation.

Whatever part of the monthly collections—and distributions—under this bill, which might actually be extra money being put into circulation, would be money that needed to be put into circulation—yes, in order to prevent the results and the fears that we experienced in 1949.

This program is a stabilizing program. It's not inflationary. Not in any sense of the word. Incidentally, we don't find many people, today, who do not realize that the present Social Security Act is deflationary.

The present Social Security Act is deflationary for the very simple reason that it sets up and maintains subnormal living standards among its beneficiaries. The proposed amendments to the present system do not remedy this fatal defect—not one bit.

Incidentally, if the present program could be altered so that it would meet living standards that would remedy this defect—well, at that time, it would be found that it had become the Townsend plan.

One more word regarding this matter of inflation. Another large money factor in the approximately $3,000,000,000 that would be turned over monthly, by this program, would be in place of money now being collected by the present system and related programs.

When these considerations are taken into account, it should be self-evidently plain that this program does not involve putting a great deal more money into circulation.

What it really involves—and this is the gist of the whole matter, gentlemen—is the putting of a calculated amount of money into the incomes of people who will circulate it for the purposes of financing fundamentally the social goods and services of life—the type of goods and services upon the sale of which sustained employment and stabilized finance of our national economy depend.

Mr. Chairman, we have placed in the hands of your committee, under separate cover, a special analysis summing up the annual value of all the clearly identifiable classes of programs and efforts by which the American people seek the general objective of security.

That analysis shows that through all efforts—public and private, group and individual—well over $15,000,000,000 a year are being spent in this field. Fundamentally and realistically, that amounts to about one-half of what a completely universal program providing fully adequate income levels, such as the program involved in S. 2181, would involve.

Attention is called to that assembly of facts, at this point, for the specific purposes of shifting the burden of proof to those who fail to comprehend that such a program as this does not entail cost in the sense that most governmental activities do—who fail to comprehend that such a program entails cost only in the sense that prosperity costs money.

If such a program would be economically "ruinous"—then let them show the ruinous results of this expenditure of $15,000,000,000 of established expenses.

If such a program would be "catastrophically inflationary"—then let them show corresponding effects resulting from this $15,000,000,000 a year that is being taken from the incomes of the American people for, in principle, related purposes.

Gentlemen, that is the specific statement and the background.

(Mr. Elliott submitted the following material as an appendix to his statement:)

APPENDIX A—ELEMENTS OF THE ANALYSIS OF THE 3 PERCENT GROSS INCOME TAX PROPOSED TO FINANCE BILL S. 2181

A. The gross tax base.

Gross income—as defined in these bills—means the gross receipts of all persons and companies in the United States—the total business turn-over. The basic figure for computing this total is reported monthly in the Federal Reserve Bulletin under the heading "Bank debits and deposit turn-over" under the subheading "Debits to total deposit accounts, except interbank accounts"; and under heading "United States money, outstanding and in circulation, by kinds."

The former represents what may be termed the total of business done by means of so-called checkbook and fountain-pen money. The latter gives the amount of money in circulation, which, multiplied by the factor of "five" represents the amount of business done annually exclusively by means of cash. In a monthly break-down, as in the case of this monthly, pay-as-we-go system, this factor of five times per annum becomes five-twelfths per month.

The sum of these two amounts represents the total of business done.

B. Deductions.

1. *The tax proposed in the Townsend bills would not of course apply to taxes paid to Government.* The figure, month by month, of taxes paid to the Federal Government are reported in the Federal Reserve Bulletin under the heading "Details of (U. S.) Treasury receipts" under the subheading "Total receipts." Data to cover taxes paid to other echelons of Government are not available in any form that would adapt them to being incorporated into any month-by-month, running analysis, such as this analysis is. Generally speaking these other taxes amount to approximately one-fourth the Federal total. Their inclusion, if practicable, would add proportionately to the magnitude of this item.

As nontaxable transactions, payments of taxes should be deducted from the above described total business turn-over for the purpose of estimating the net base of the tax proposed in these bills. The total receipts of the Federal Government are here employed to represent this deduction.

2. Since the tax in the Townsend bills does not apply to personal incomes up to $250 per month, a deduction from the above total business turn-over must be made on this account.

Table 1, of current population reports, Bureau of the Census, Series P 60, No. 6, gives a break-down of the population of the United States for 1948, on the basis of the percentage of the population in each level of income (levels $1 to $499; $500 to $999, etc.). Analysis of this table affords the relative weight of income under the $3,000 per year or $250 a month level.

Cross-referring the findings resulting from analysis of this table with the total of all personal incomes shown in table 3, page 10 of the July 1949 issue (national income issue) of the Department of Commerce's Survey of Current Business—we thus have a concrete estimate of this deduction, which is used in this analysis.

3. As there is a well-known tendency on the part of business and persons to divide income, wherever possible, so as to escape the higher tax brackets under the net income tax system—so there would be an opposite tendency on the part of business to adjust procedures so as to reduce turn-over volume when possible. The one tendency would be the opposite of the other and tend to eliminate the effect of "evasion" procedures under the net income tax system. However, on the basis of business being done now, this must be looked upon as a deduction from the total turn-over now being registered in terms of dollar volume.

There exists no specific statistical tabulation dealing with this subject. This should not be surprising in view of the fact that the system of taxation under discussion does not exist—and, therefore, the shrinkages logically attendant upon it do not exist.

In 1943 and 1944, Dr. John Donaldson, of George Washington University made an extensive study of this question and related it to about half the amount of the volume of stock market trading. At that time this figure was about $40,000,000,000 per annum. In this present analysis this has simply been stepped up a corresponding 40 percent—$50,000,000,000 a year—divided by 12 for a monthly average, to represent this logically-to-be-expected effect upon the dollar volume of total business turn-over, at present level.

It should be noted that this item does not represent any 'shrinkage' in actual wealth production or distribution, but fundamentally an adaptation of business procedure.

C. The net tax base

A, above, minus B, above, therefore, constitutes the net tax base upon which the 3 percent tax proposed in S. 2181 would be levied.

The resulting amount of revenue, monthly, would after administrative expenses were allowed for—be equally divided among the qualified beneficiaries of the program.

NOTE.—The revenue yielded by this process—and therefore, the magnitude of the individuals' monthly incomes—would fundamentally vary as the general economic level of the Nation as a whole varied and/or as price levels varied. This would maintain a general 'parity' between the living standards of the retired, the disabled and other citizens benefiting from this program as compared to the general standard existing in the Nation at any given time.

D. Administrative costs

The administrative costs of this program are estimated on the following basis:

1. The 1948 cost of administering the present old age assistance program, federally and locally	$60,000,000
2. Plus one-half the cost of administering the present old age and survivors insurance program annually	$25,000,000

The total of these two items is $85,000,000 a year or about $7,000,000 a month. This figure of $7,000,000 a month is adopted for the purposes of this analysis.

NOTE.—See Federal Security Agency's report, dated April 27, 1949, "Source of funds expended for public assistance administrative costs calendar year ended December 31, 1948", table 1, and see the chart entitled "O A S I Administrative Expenses as a Percent of Contributions Collected" included in testimony this year by Arthur J. Altmeyer, Social Security Commissioner.

APPENDIX B—NUMBER OF BENEFICIARIES UNDER THE TOWNSEND PLAN, EMBODIED IN S. 2181

S. 2181 provides coverage for the following citizens of the United States:

1. All citizens 60 years of age and over electing to retire from gainful occupation [1]	14, 500, 000
2. All citizens between ages 18 and 60 incapacitated for employment from any cause for periods greater than 6 months [2]	2, 400, 000
3. All citizens who are widows with the care and support of 1 or more children under the age of 18 [3]	1, 600, 000
Total	18, 500, 000

[1] Analysis of Current Population Report, Bureau of the Census, series P-25, No. 18, dated Feb. 14, 1949, table 1, entitled "Forecasts of the Population of the United States * * *"; Series P-10, No. 5, dated Apr. 7, 1942, showing percentage of citizens in the population as of the 1940 census; series P-60, No. 6, dated 1950, table 1, showing break-down of the population by income classes, by age.

[2] See United States News and World Report, issue of Apr. 15, 1949, text of interview with Arthur J. Altmeyer, Commissioner of Social Security Administration.

[3] Analysis of Current Population Report, Bureau of the Census, series P-20, No. 26, dated Jan. 27, 1950, table 7, entitled "Characteristics of Families by Type * * *," under subheads "Families with female heads" and "Number of own children under 18."

TABLE 1.—*Statistical analysis of the Townsend plan (by months) of 1948 and 1949 as defined in bills S. 2181 and H. R. 2135 of the 81st Cong.*

[All figures in billions of dollars except G and H]

MONTHS OF 1948

Elements of analysis	January	February	March	April	May	June	July	August	September	October	November	December
A. Gross tax base:												
Debits deposit accounts	105.193	90.273	107.636	102.349	97.603	108.639	102.940	97.940	104.754	107.141	102.887	122.227
Five-twelfths currency in circulation (average monthly turnover)	11.713	11.675	11.575	11.949	11.588	11.626	11.611	11.690	11.716	11.740	11.805	11.760
Total	116.906	101.948	119.211	114.298	109.191	120.265	114.551	109.630	116.470	118.881	114.692	134.037
B. Deductions:												
Taxes	4.304	4.614	6.635	2.863	3.082	5.104	2.300	2.948	4.597	2.199	2.941	4.062
Exemptions	7.875	7.875	7.875	7.875	7.875	7.875	7.875	7.875	7.875	7.875	7.875	7.875
Shrinkages	4.667	4.667	4.667	4.667	4.667	4.667	4.667	4.667	4.667	4.667	4.667	4.667
Total	16.846	17.156	15.177	16.395	15.624	17.646	14.842	15.490	17.139	14.741	15.483	16.604
C. Net tax base: (A minus B)	100.060	84.792	100.034	97.903	93.567	102.619	99.709	94.140	99.331	104.140	99.209	117.433
D. Gross tax yield: (3 percent of C)	3.002	2.544	3.001	2.937	2.807	3.079	2.991	2.824	2.980	3.124	2.976	3.523
E. Administrative cost	.007	.007	.007	.007	.007	.007	.007	.007	.007	.007	.007	.007
F. Amount for distribution: (D minus E)	2.995	2.537	2.994	2.930	2.800	3.072	2.984	2.817	2.973	3.117	2.969	3.516
G. Estimated number annuitants:												
Over 60 years of age retired 14,500,000												
Disabled 2,400,000												
Widows with dependents under 18 years of age 1,600,000												
Total	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000
H. Indicated monthly annuity payments: (F divided by G)	$161.89	$137.14	$161.84	$158.38	$151.35	$166.05	$161.30	$152.27	$160.81	$168.49	$160.49	$190.05

TABLE 1.—*Statistical analysis of the Townsend plan (by months) of 1948 and 1949 as defined in bills S. 2181 and H. R. 2135 of the 81st Cong.*—Con.

[All figures in billions of dollars except G and H]

MONTHS OF 1949

Elements of analysis	January	February	March	April	May	June	July	August	September	October	November	December
A. Gross tax base:												
Debits deposit accounts	105.192	89.850	109.741	99.703	99.280	109.067	98.500	99.055	101.082	101.848	99.491	
Five-twelfths currency in circulation (average monthly turnover)	11.492	11.482	11.433	11.424	11.461	11.455	11.414	11.414	11.422	11.420	11.476	
Total	116.684	101.332	121.174	111.127	110.741	120.522	109.914	110.469	112.504	113.268	110.967	
B. Deductions:												
Taxes	3.675	3.935	6.133	2.306	2.751	4.928	2.061	2.917	4.885	1.993	2.727	
Exemptions	7.875	7.875	7.875	7.875	7.875	7.875	7.875	7.875	7.875	7.875	7.875	
Shrinkages	4.667	4.667	4.667	4.667	4.667	4.667	4.667	4.667	4.667	4.667	4.667	
Total	16.217	16.477	18.675	14.848	15.293	17.740	14.603	15.459	17.427	14.535	15.269	
C. Net tax base: (A minus B)	100.467	84.855	102.499	96.279	95.448	103.052	95.311	95.010	95.077	98.733	95.698	
D. Gross tax yield: (3 percent of C)	3.014	2.546	3.075	2.888	2.863	3.092	2.859	2.850	2.852	2.962	2.871	
E. Administrative cost	.007	.007	.007	.007	.007	.007	.007	.007	.007	.007	.007	
F. Amount for distribution: (D minus E)	3.007	2.539	3.068	2.981	2.856	3.085	2.852	2.843	2.845	2.955	2.864	
G. Estimated number annuitants:												
Over 60 years of age retired 14,500,000												
Disabled 2,400,000												
Widows with dependents under 18 years of age 1,600,000												
Total	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	18,500,000	
H. Indicated monthly annuity payments: (F divided by G)	$162.54	$137.24	$165.30	$155.75	$154.38	$166.76	$154.16	$153.67	$153.78	$159.73	$154.81	

150
100
50
BILLIONS OF DOLLARS
A- The GROSS TAX BASE: Debits to deposit accounts plus five-twelfths of currency in circulation (average monthly turnover); the TOTAL BUSINESS TURNOVER
B- The NET TAX BASE: A- minus the following: (1) payment of federal taxes, (2) exemption of personal incomes up to $250 a month from the Gross Income (gross receipts) Tax and (3) estimated allowance for adjustment of business procedures to gross income taxation.
OCT. NOV. DEC. JAN. FEB. MARCH APRIL MAY JUNE JULY AUGUST SEPT. OCT. NOV. DEC.
200
100
DOLLARS
C- The AMOUNT AVAILABLE FOR DISTRIBUTION: 3% of B- less estimated $7 million a month administrative cost, in terms of individual annuity payments.
D- The ISSUE OF ANNUITY PAYMENTS: the amounts indicated in C- issued after administrative period necessary for collection and distribution.
TOWNSEND PLAN, INC.
LEGISLATIVE BUREAU
306 Pennsylvania Ave., S.E.
Washington, D.C.

Mr. ELLIOTT. Appendix A defines specifically the elements of analysis that are contained in table 1; and table 1 contains the specific figures, specific statistical figures as there defined, for the months of 1948 and 11 months of 1949. That is on pages 1 and 2 of appendix A, and the table is the second last page of the testimony.

Now, the basic factors making up business turn-over, as specifically calculated, are two. First, the debits to deposit accounts. They are reported monthly specifically by the Federal Reserve Board in the Federal Reserve Bulletin. Secondly, to be added to that, there is an estimate of the true value of money in circulation in terms of its turn-over as measuring business done exclusively by cash. The debits to deposit accounts fundamentally embody the business done by what we may call check-book and fountain-pen money as distinguished from cash. Basically, on the average, although at any time it might be more or less, cash business transactions paid for by cash, transacted through the medium of cash, run at about five times per annum the amount of money, cash, in circulation.

On this monthly break-down, therefore, the applied fraction is five-twelfths per month. The exact figure of the amount of money in circulation is likewise reported by the Federal Reserve Board based upon their report of the Treasury reports to them every month as such. It is a specific figure.

The total of those two is the estimate of the business turn-over in this country, month by month.

Now, in these bills gross income is defined as the gross receipts of all persons and companies in the United States, of whatever nature, the gross receipts of all persons and companies. That is, in its basic definition, your business turn-over. That is the tax base.

Now, as against business as it has been and is being done, as compared to what would be the effect if this program of taxation were in operation, there are obvious factors that should be deducted from this gross tax base to arrive at the net base that the tax actually would apply to, as defined in this bill. Taxes to Government would not be taxable business transactions, obviously. They are here subtracted.

Now, these deductions are specifically outlined here in section B of appendix A. The exemptions under this bill are that this 3 percent gross income tax would not apply to personal incomes as distinguished from company incomes up to $250 a month. Now, the estimate of that exemption, the weight of that as part of the total business turn-over, is derived from Census Bureau figures fundamentally, which break down the population by income classes, like $1 to $499, what percent of the population has that income, and so forth, up. We broke that down on that basis and then coordinated the totals found with the reports of the Department of Commerce, using the weight of the Census Bureau actual findings as against the actual financial totals, and with that we get a figure of about $90,000,000,000 a year in 1948, and, of course, we will have to use the 1948 estimates, too, yet.

Senator MILLIKIN. Let me ask you: What would be the actual deduction or exemption for the beneficiary under this system?

Mr. ELLIOTT. They would pay taxes just as anybody else insofar as applicable. Of course, their income would not be up to the $250 a month level.

The CHAIRMAN. If they did not have other income, they would not pay the 3 percent?

Mr. ELLIOTT. That is right, sir. Of course, if they bought a package of cigarettes, they would pay a tax on them. If they owned real estate or rented it, they would, in one case directly, and in the other case indirectly, be paying taxes, like anybody else. And incidentally, as to the maintenance of this fund, they would be paying taxes like anybody else if their income standing, in total, from what ever and all sources, did qualify them to pay those taxes.

The CHAIRMAN. What do you mean by "shrinkages," in number 3 under "Deductions"?

Mr. ELLIOTT. Shrinkages?

The CHAIRMAN. Yes, sir.

Mr. ELLIOTT. Well, perhaps the best thing to do is to read exactly what I say about that, instead of trying to "short" it.

As there is a well known tendency on the part of business and persons to divide income, wherever possible, so as to escape the higher tax brackets under the net income tax system—so there would be an opposite tendency on the part of business to adjust procedures so as to reduce turn-over volume when possible. The one tendency would be the opposite of the other and tend to eliminate the effect of "evasion" procedures under the net income tax-system. However, on the basis of business being done now, this must be looked upon as a deduction from the total turn-over now being registered in terms of dollar volume.

There exists no specific statistical tabulation dealing with this subject. This should not be surprising, in view of the fact that the system of taxation under discussion does not exist—and, therefore, the shrinkages logically attendant upon it do not exist.

In 1943 and 1944, Dr. John Donaldson, of George Washington University, made an extensive study of this question and related it to about half the amount of the volume of stock market trading.

Senator MILLIKIN. May I ask you, please, for a fuller explanation, under 3 on page 1 of appendix A? I quote: "As there is a well known tendency on the part of business and persons to divide income, wherever possible, so as to escape the higher tax brackets under the net income tax system—so there would be an opposite tendency on the part of business to adjust procedures so as to reduce turn-over volume when possible."

Do you mean under your system?

Mr. ELLIOTT. That is right, sir.

Senator MILLIKIN. How would we help our economy if we diminish business volume?

Mr. ELLIOTT. I didn't finish the statement. I will go to that point right now. The tendency would be this:

Where a producer, a manufacturer, let's say the General Electric Corp., with their refrigerators and various appliances, might sell those on a wholesale basis now to various retail and distributing agencies, under this program there would be a tendency for them, to some extent at least, to make that party an agent and not have a business transaction. It would not be affecting the actual wealth produced or distributed, but it would be an adaptation of business procedure.

Senator MILLIKIN. But the agent himself would in turn be selling the product?

Mr. ELLIOTT. That is right. But he would operate as a qualified employee or agent of the manufacturer, instead of holding title, perhaps, to the article.

Senator MILLIKIN. But it is your theory that when you finish out the whole process, which puts the ice box in the housewife's kitchen, there would not have been any diminution in the total volume of business?

Mr. ELLIOTT. Well, there would be in terms of dollar volume, but not in terms of actual production. There would still be a delivered refrigerator with wages and salaries and profits, and so forth, paid. There would be some kind of an adjustment. As I say, there is no statistical tabulation for it, because the system doesn't exist, and therefore the phenomenon doesn't exist.

As I am pointing out, Dr. John Donaldson of George Washington University made an extensive study of that and related it in over-all picture to about one-half the then current volume of stock market trading as a comparable basic figure. There would be a shrinkage in that type insofar as, well, manipulations are concerned in open markets like that, where pictures are created, where there are fictitious transactions to create a lead-on picture. They wouldn't be very successful with this lien upon them. Those types of activities, adaptations of business procedure, would take place, and in terms of dollar volume, would shrink the figure, as they now exist.

However, I might also point out that where they did to that extent shrink them, they would also have a differential effect in reducing the actual content of prices, too; not absolutely in parallel, but in many, many cases there would be that differential, too. And I also wish to point out that to the extent that it actually operates, any types of transactions or procedures that are designed to avoid higher bracket obligations under the net income tax system, would get trapped by the existence of this system. It would counteract, there.

Fundamentally, the over-all thing would be a basically equivalent weight to our present net income tax system in actual dollar volume; although for an entirely different purpose in its distribution and use. But as its incidence goes, the existence of the gross tax would offset the attempt to run away from the net; and theoretically, it would operate vice versa, too. It would be a trap between gross and net definitions. There is nothing greater than the gross; there is nothing smaller than the net.

In conclusion, here, I simply point out, on that point: In this present analysis, this estimate of $40,000,000,000 a year by Dr. Donaldson back in 1944 has been simply stepped up a corresponding 40 percent, the general step-up of the levels, to about $56,000,000,000 a year, and divided by 12, for a monthly average, to represent this logically to be expected effect upon the dollar volume of total business turn-over at present level.

To repeat the thought, in conclusion, that we have already taken up, it should be noted that this item does not represent any shrinkage in actual wealth production or distribution, but fundamentally an adaptation of business procedure.

Now, that subtraction leaves the estimated net tax base upon which the actual 3 percent tax would operate; and as the table shows specifi-

cally, month by month, on that net tax base, that tax of 3 percent would run around or quite close to an average of $3,000,000,000 a month that would be turned over by this program.

Senator KERR. That would be the revenue. The base would be $100,000,000,000.

Mr. ELLIOTT. That is right. The 3 percent of the net tax base. The revenue would be pretty close to $3,000,000,000 a month on the average in the last 2 years.

On the question of administrative cost of this program, we have used a direct comparison based upon experience with the Social Security Administration as they have reported it. They have reported in 1948 the cost of administering the present old-age-assistance program, federally and locally, at $60,000,000.

We add there, from the point of view of this program, as in the spirit of a very liberal allowance, one-half of the cost of administering the present old-age and survivors insurance program annually, or $25,000,000. The total of these two items is $85,000,000 a year, or about $7,000,000 a month. This figure of $7,000,000 a month is adopted for the purposes of this analysis.

In point in that connection is the Federal Security Agency's report, dated April 27, 1949, Source of Funds Expended for Public Assistance Administrative Costs, Calendar Year Ended December 31, 1948, table 1, and also the chart entitled: "OASI Administrative Expenses as a Percent of Contributions Collected," included in testimony this year by Arthur J. Altmeyer, Social Security Commissioner. In table 1, they show the old-age assistance cost of administration, federally and locally, to have been a little over $60,000,000.

Now, in this program we have disability coverage for all citizens of the United States, and in those cases there would be some administrative qualifications. It wouldn't be prima facie, as in the case of a citizen of retirement age and willing to retire, who therefore retires. It would require investigation and qualification. Therefore, inasmuch as old-age assistance is currently handling about the same number of people, cases, and so forth, that we estimate this bill would involve in the name of disability, we adopt that figure as the probable estimate of the cost of administering that part of the act.

As for the retirement side, that is so exceedingly simple under this program. The citizen is 60 years of age, of retirement age. He is ready to retire. It is elective. He chooses to retire and refrain from gainful occupation. That is all there is to it. There isn't any question of investigation apart from the establishment of that fact, and it amounts to no more than registering to vote, as a matter of fact, in the principle involved.

Senator KERR. Would that decision be irrevocable?

Mr. ELLIOTT. The decision to retire?

Senator KERR. Yes.

Mr. ELLIOTT. No. Under the bill he could cease retiring. The point is that if he did enter a gainful occupation, he would relinquish his pension rights.

Senator KERR. In other words, when he gets to be 60, he does not come under it unless he retires; having done which, he comes under it.

Mr. ELLIOTT. That is right; if he applies.

Senator KERR. I understand. Then if he decides to reenter gainful employment, he automatically goes out from under it.

Mr. ELLIOTT. That is the proposal. He should not take his pension as a subsidy to a competitor.

Senator MILLIKIN. Is the choice absolute? If he worked 4 or 5 hours a day in employment and got half of his former pay, would he be deprived entirely of the benefit, or would he receive a credit?

Mr. ELLIOTT. As far as this bill is concerned, he either retires or he does not retire.

Senator KERR. He is either all in or all out.

Mr. ELLIOTT. That is the idea.

I don't know; I am afraid that if you start that sort of thing you would be heading for the same thing you have now in administrative complexity.

Senator KERR. You would be getting into administrative troubles and expenses, would you not?

Mr. ELLIOTT. I am afraid so. The more I think of it, and I think the more anybody thinks of it, the more it will be seen to pyramid.

Senator BREWSTER. That is true even as to the question of earning anything. That is, you still have 10 or 12 million recipients, and if they do abuse this, you have got some way to implement and enforce it. That is why I have always felt that they should not be denied the right to work. I do not like to put them on the shelf, myself. Dr. Townsend is the best example, I think; it is very fortunate he did not retire about 20 years ago, or where would we be today? I would have been eligible as a recipient of this payment, and everybody else. Because you immediately have to get your whole administrative organization to see whether they are violating it.

Mr. ELLIOTT. Well, sir, I would have to say this, about that question: if the Congress should decide to err on the generous side, personally, I would not be one to complain. However, in drawing a bill and setting up an issue to present to the Congress, to study and to debate and to make a decision on, we set it up definitively. Now, if Congress decides to complicate this thing, it is their responsibility.

Senator BREWSTER. Well, I think it simplifies it if you do not have this thing. You very much simplify it if you simply make anybody eligible who asks for it at the set age; and that is it, period. All they have to show is that they are American citizens, and that information is in the registration books of every city and town in this country. There it is, and that is all there is to it. That would be perfectly simple.

Mr. ELLIOTT. That would be very fine, except that we have conflicting schools of thought on the subject. We have the generous versus the stingy school of thought.

Let me say this: In terms of enforcing the compulsory retirement, the spending of the money, and so forth, you have a unique opportunity here. You could classify it and describe it as principle of self-enforcement.

Let us suppose that we discovered, for example, that these people were not spending this money, that these people were not retiring after they gained it, that it was a large enough area to be practical and to affect the economic operation of this program, to defeat its purposes. Under this program, as it is drawn, we would not have to set up very much of a bureaucracy. All we would have to do is shift the burden of proof on to these people to turn in a certified report of themselves, which, if it did not come in next month, would have the

result that the following month they would not get their pension until they cleared the record.

Senator BREWSTER. We have just convicted one of the most brilliant and able men in this country of perjury. Now, what could you expect when you get down the scale?

I would not have either provision, that they must spend it, or that they must not earn. That has always been my philosophy. Because immediately you introduce this whole administrative problem.

Mr. ELLIOTT. It is a nice point to bring out, because it has to be decided somewhere along the line.

I might say this, though. The opposite weight of consideration could perhaps be looked on in this light. Suppose you have a competitor. And this does not relate to what you would call a gigantically big business. You have a man running what you would say is an ordinary little business, a grocery or a filling station or something. And he happens to have a subsidy in the form of retirement income of $150 a month. He sure could raise the dickens in a price war with the correspondingly small chap across the street who is 45 years of age and hasn't got that subsidy.

You have a consideration here to resolve. We raise the issue here very specifically in this bill in the form of compulsory retirement in order to have the pension, the refraining from gainful occupation, and the requirement that they spend their money, that they spend the amount of money that this pension each month brings to them, that they actually spend that for the purchase of goods, commodities, and services.

Senator BREWSTER. There would be, certainly under present conditions, very few cases where that second condition would not be complied with.

Mr. ELLIOTT. I think so.

Senator BREWSTER. Would it be worth while, for the very limited violations, to have to keep supervision of 10,000,000 recipients?

Mr. ELLIOTT. We think not, sir.

Senator BREWSTER. That is what I think.

Mr. ELLIOTT. It seems unnatural that it would be. Because you are asking people to do something that is the most natural thing in the world for them to do. You are not saying to them, "Thou shalt never take another drink," or something like that.

I might say this: In regard to our present income-tax system, we accept the statement of the taxpayer. It is the equivalent of a notarization when he signs his name on that income-tax form. We accept that. Now, if we find something wrong we investigate it. If we want to go further, it could go on through to the question of perjury. But we have a standard to go by, taken from experience, and here it is.

Senator MILLIKIN. Some of us are disturbed about this. Those who are disturbed about it have the basic philosophy that in order to advance our standard of living we must continuously increase our productivity, the productivity of the whole economy; and from that it follows that we want to maintain the productivity of every citizen; and, so far as the aged are concerned, as long as they want to work and are able to work, without penalizing them for doing that or without tempting them not do do it by some sort of a governmental plan.

As you have been discussing this matter, I am afraid you have set

up some temptations that might operate against increasing the productivity of the Nation. When you pull down your age of retirement, as you have done here, from 65 to 60, as you increase the length of the earlier nonproductive brackets of life because of the lengthened period of education, you are putting the productive part of the Nation into a very narrow group.

Personally, I do not think that it is sound to do that. I believe that the elderly should have the opportunity to work if they feel like working and if they are able to work, for as long as they want to work during the day. That tends in the direction of greater productivity, and I suggest that it also tends in the direction of preserving a better morale among the aged who can work and can thus have the opportunity to work.

Mr. ELLIOTT. Well, Senator, after being associated with this problem, as we who are here have been, for some 15 years or more, we have given very serious consideration to those things. Now, let us look at this proposition in this way: Maybe we are not absolutely 100 percent right. If we are, we are certainly the first bunch that ever came along that was. But basically, what we are doing, in our civilization, is this: We are "technicalizing" it; we are creating a situation under which our people do not retain, as a matter of standard and average, the ability to earn income that keeps them on a normal standard of living, as they get into old age.

Senator MILLIKIN. I would say that is entirely true, without question. But you have a large group of people who can do some work and who want to do some work, and it is my suggestion that we should provide the opportunity for them to do what work they can do if they want to work. Because it will, as I say, tend to increase the productivity of the Nation, which in the end alone can sustain any of these plans.

Mr. ELLIOTT. It would, sir. But you will note that we set up an elective retirement. Now, if an individual has come to the point in his life where he cannot maintain himself on an adequate standard of living, in keeping with his times, his independence, and decency of living, he would elect to retire. It depends upon the standard you set, sir, whether he would elect to retire or not.

Senator MILLIKIN. I think my criticism, if I had one, is that your standard is absolute. You are either all in, as some one said, or all out. Why could it not be both ways?

Mr. ELLIOTT. As far as theory is concerned, it could be both ways. That decision is up to the Congress.

Senator MILLIKIN. Why could it not be part in and part out?

Mr. ELLIOTT. The main thing, sir, is just this——

Senator MILLIKIN. If it suits the volition of the particular aged person.

Mr. ELLIOTT. May we put it this way, sir: We are defining an issue here, and we are making a proposal. In your present Social Security Act, as it now stands, and following the lines of development that are now laid down for it, first, they cannot participate in covered employment past a certain point. Your bill, H. R. 6000, says they will be able to earn $50 a month. Well, that is still going to leave most of them in a very inferior standard of living.

But the point I want to make is this: They limit them from employment, under covered employment; but now they are expanding cover-

age of employment. Their objective is to go as far as possible. Theoretically, it is not possible to extend it universally under that kind of a program, but they would expand coverage as far as possible. When they have done that, they have brought in indirectly, and as a matter of accumulation over time, the same situation that is defined in this bill. They have compulsory retirement, sir, in principle. They only allow the adjustment to make up for inadequacy.

The CHAIRMAN. Let me see if I get you now. You say that under H. R. 6000 they may earn as much as $50 a month, but not in covered employment. Is that right?

Mr. ELLIOTT. No; in covered employment, sir.

The CHAIRMAN. In covered employment.

Mr. ELLIOTT. Because in uncovered employment, under the principles of the act that we have, and as H. R. 6000 stands, the amendments therein provided, they could earn anything they want.

The CHAIRMAN. I see.

Mr. ELLIOTT. But the point I make is that the process and the objective is to universalize coverage.

The CHAIRMAN. Yes. I wanted to see if I understood. I think I now understand your interpretation of H. R. 6000. That was my interpretation of it: that they could continue to earn as much as $50 per month without losing their old-age-retirement rights, if you speak of them as rights; and there has been a distinction as between rights and benefits. But that would be true only in the case where they remained in covered employment.

Mr. ELLIOTT. And their end is to universalize coverage.

The CHAIRMAN. And when you have universal coverage, you would come to the same thing, of course.

Mr. ELLIOTT. I would say this: This bill and this program refer to the living standard norm, the average income. This 3 percent would vary as prices and economic levels varied. It is a norm.

As I pointed out in the statement, the norm in 1948 among the population over 14 years of age—and that certainly is a liberal enough line to draw on who is a responsible income-receiving family member—was some $1,926 a year, or $160.50 a month. That is just about, if you look at the table, where this thing lands.

Now, here is the thing. If a standard lower than that, materially and seriously lower than that, were to be adopted, this would scale down proportionately. As far as my own reaction was concerned, I would say let them have the right to earn the difference. But here we are basing the whole analysis on the norm, on a program to wipe out of existence this problem of social security and all that it entails. That is the objective of this program as it is drawn, to put an end to this problem once and for all, and not to have such a problem any more.

Senator MILLIKIN. It occurred to me, just off the cuff, that you were perhaps a little too rigid in one feature of your program, here. If we are going to encourage productivity, we should not discourage people from staying in productive activities, if they want to stay in, after reaching whatever the age may be, and if they are able to stay in.

Mr. ELLIOTT. Sir, do we have about 1 minute in which we can refer to this chart, here, on that very question, in regard to this program?

The CHAIRMAN. Yes, sir; you may do so.

Mr. ELLIOTT. You have the copy of the chart here. This is in regard to this question of productivity. Now, here we are dealing with an estimated 18½ million people who would be receiving money each month that came from all sources. Now, if those sources happened to include a business activity that was creating an inflation of some kind, like in December 1948, or like the months leading up to the crack-down in 1929 or 1937, and so forth, some of the money they would get would be money that came from those operations. And it would be converted into buying power in the form of the norm. Now, in terms of maintaining our productivity we would be subsidizing noncompetitors, and this money collected in this month of December 1948, would have been paid down here in the spring, when we were beginning to hit the slide. It would have boosted that.

In regards to this problem of maintaining productivity, we conceive this problem of social security as embodying the opportunity to create in this country an employing power, a stabilizing power, in terms of market, that would be just as powerful as the employing power of our armed forces and their operations during the war were. That is what we conceive.

Senator MILLIKIN. But if you can supplement that, supplement it by the privilege that we have been discussing, of the elderly continuing their own productivity, you would have a double-barreled stimulus.

Mr. ELLIOTT. I don't think we would fight you on that. But we are specifically defining an issue which exists in your whole social-security structure as it is. If Congress decided to entirely reverse their policy on that, we would not be the complainants.

The CHAIRMAN. I see. It would be adjustable in that respect.

Mr. ELLIOTT. We cannot enact the law. Congress has to do that.

The CHAIRMAN. You also cover the widows with dependent children under 18.

Mr. ELLIOTT. That is right, Senator.

The CHAIRMAN. There you were taking the present expenditure of H. R. 6000 as a basis on which to make that computation?

Mr. ELLIOTT. No, sir. We find in this country, on the basis of census reports, as listed down here in the third starred reference, Analysis of Current Population Report, Bureau of the Census, Series P–20, No. 26.

The CHAIRMAN. I simply wanted to get at this: It is an estimate that you are making. You are not going back to social security for that?

Mr. ELLIOTT. No, sir. What we find is that families with female heads in this country, with one or more of their own children under the age of 18—those figures are given there in that census report quoted—number 1,296,000. Now, we make here an arbitrary estimated allowance for the fact that there are undoubtedly many families with female heads, as well as others, who have dependent minors under 18 years of age who are not their own children. There are some. There are, unquestionably. And there are also innumerable cases existing where widows, and so forth, have given up their children, who would not have, or would have taken them back, if this were in effect. So we estimate that at 1,600,000. So there is a difference between the figure which we estimate, 1,600,000, and the number that

the Census Bureau gives us, of families with female heads with their own children dependent upon them, that figure being 1,296,000.

The CHAIRMAN. And you are also making an estimate of the disabled?

Mr. ELLIOTT. In that we agree with the Social Security Administration. We refer here in the two-starred reference, to a widely publicized interview of last year with Arthur J. Altmeyer, by United States News and World Report. They agree that there are at least 2,000,000 totally disabled at any given time. We raise that figure here, because, as we pointed out at the outset, we are making a maximum estimate of the size of this program. We are not trying to say that this program would only be so big. We are trying to present the whole magnitude of this thing, the whole possibility—that there are people, plenty of people, who, if they could obey common-sense dictates, which this program would enable them to do, of their doctors, would be in a state of disability retirement perhaps for 6 months or more, because of their health, but who have to keep working for the lack of this.

The CHAIRMAN. Are you leaving out any category that is covered under H. R. 6000?

Mr. ELLIOTT. Yes; we are leaving out temporary disability.

The CHAIRMAN. Temporary disability is only very limited. But you are not leaving out the blind, and you would count that as disability.

Mr. ELLIOTT. The blind, certainly.

The CHAIRMAN. That is figured as a category of totally disabled.

Mr. ELLIOTT. Definitely we try to put it this way: Citizens between the ages of 15 and 60, that is, between the dependency age and the retirement age, who are incapacitated for employment for any cause whatsoever, incapacitated for employment, for their work in life, whatever that may be, between those ages.

The CHAIRMAN. What I was trying to get at is: Suppose the Congress accepted this program. How much additional assistance would we then be called on to give to people who would not come under it?

Mr. ELLIOTT. Well, sir, this would involve, first, retirement of all citizens, total disability coverage for all citizens, and this family aid through the widows, the mothers left with dependent minors on their hands, who were American citizens, all of them.

Now, in our population we had, as of the 1940 census, which is given thereto as a specific reference in the course of the analysis in the appendix, 96.7 percent of the population of this country in 1940 that were citizens. In 1930 I believe the figure was 95.1 percent. The trend is toward a larger percentage of citizens. The noncitizens are a very small group. Now, what we seek to cover in this program, sir, are those basic permanent things: retirement, total disability, and this social disability in the name of the average woman, who cannot do an average good job because she is an average woman, of being both a breadwinner and a homemaker, too. And there is a social disability there that is of vital importance. We have the family-aid program in effect. Certainly there would be special needs. We have veterans disability cases now that draw almost $400 a month. Certainly you would have to come in there with those other programs. But on the other hand, we have the vast bulk of veterans' disability that this bill

would automatically finance once the Veterans' Administration or other agency had certified and established their disability. Those would be the exceptional cases. There is no doubt about that.

The CHAIRMAN. Yes.

Mr. ELLIOTT. There would be the case of the widow who had only one child, as distinguished from the widow who had 15. I don't know how you are ever going to define that. There would be special cases. But you have them now.

The CHAIRMAN. Oh, yes. I understand that.

Mr. ELLIOTT. This would wipe away the great fundamental base of complicated administration, and so forth, that we have and are developing under this other system of public assistance and so-called individual account insurance; which, incidentally, is not workable.

The CHAIRMAN. Are there any further questions?

Well, sir, we thank you for your appearance here and for your contribution on this very important matter that we have before us.

Mr. ELLIOTT. Thank you very much, sir.

The CHAIRMAN. The committee will recess until 10 a. m., tomorrow morning.

(The following statement was submitted for the record:)

STATEMENT OF LYNN ELLIS, PASADENA, CALIF.

PENSIONS

The pension issue is certainly to the fore these days, with all signs pointing unmistakably toward Washington.

At present, there are some 10,000 or more private pension plans in operation with steel, automobile, and other great industries getting into it in a big way almost daily. All of which makes us wonder how the smaller concerns can hope to compete, satisfy their employees and remain solvent. Besides, there are the State systems with the Federal Government contributing a part. With all of these plans, both public and private in existence, the over all presents a crazy quilt which soon may show rents and tears. There is a way out however, and the answer lies in Washington but not in Federal social security as it exists today.

Tax collections on social insurance have greatly exceeded benefit payments since inception of the plan until today there is a backlog of about $11,600,000,000 and with increased taxes effective as of January 1, this vast surplus should increase some $667,000,000 per year. What purpose does this vast sum serve' It is "on loan" to the United States Treasury and used in governmental operations. It is considered a trust fund and is not counted in budget-bookkeeping—another set of books is required for that. It will draw some 2 percent or more interest while it is on ice in Washington, but what a difference this huge surplus would make on the economy of America if it were presently in circulation.

With the Federal Government and the States sharing in old-age pensions we have one agency contributing to 48 agencies, whereas in this writer's opinion the procedure should be reversed and the 48 agencies should be contributing to the one so that payment of pensions would be uniform and Nation-wide from one source—the Federal Government. This should tremendously reduce administrative costs, public and private, since it would eventually replace the latter and make for economy, simplicity, and effectiveness.

Having in mind the continued prosperity of America as well as the payment of pensions, it is essential that there be constant circulation of the money from the States to the Federal Government, to the pensioners, to the States and back to the Federal Government.

I propose that a uniform sales tax applying to all States and the District of Columbia should be instituted by the Federal Government collectible by the States and the District of Columbia. Thereupon collections should be remitted to the United States Treasury for the payment of pensions. The vast sum so accumulated should be held by the United States Treasury for one experimental year before payable to pensioners in order that the Federal Government might estimate the amount that would be available in future collections.

Payments should then be made to all citizens of a designated age and older, regardless of need. A pension of $100 per month should be the objective but this might not be attainable at first. However, as the prosperity of the country increases by reason of the tremendous sums in circulation through pensions, it would be possible to realize the objective. During the experimental year, pension matters should proceed as currently. This proposal could be incorporated within the Federal Social Security Act or enacted separately.

The writer realizes that at first glance there seems to be a similarity between this proposal and that of the Townsend plan, but there are salient differences. Dr. Townsend proposes a 3 percent transaction tax to finance payments. A transaction is usually considered as a business deal of some type, so a transaction tax must be a tax on business deals, whereas under the proposal set forth herein, a sales tax is the contemplated means of financing payments. A sales tax is defined as a tax on goods sold where the purchaser usually pays the tax. This is considered a most satisfactory taxation system.

Twenty-eight states and the District of Columbia now have the sales tax; 20 States do not have it. Under the Townsend plan the proceeds from the transaction tax would go into a pool from which payments would be made, whereas under the proposal herein, a uniform sales tax would be collected by all States and the District of Columbia and remitted to the United States Treasury where it would be held during the experimental year with payments made the second year from the total so received.

Definitely a sales tax would prove the most satisfactory means of financing an over-all Federal pension system.

(Thereupon, at 12:55 p. m., the committee recessed to reconvene Friday, February 3, 1950, at 10 a. m.)

SOCIAL SECURITY REVISION

FRIDAY, FEBRUARY 3, 1950

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

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George and Millikin.

Also present: Mrs. Elizabeth B. Springer, acting chief clerk, and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will come to order.

Congressman Robert T. Secrest of the Fifteenth Ohio District is submitting a brief, and it will be entered in the record as a part of the proceedings today.

(The brief referred to follows:)

STATEMENT OF HON. ROBERT T. SECREST, FIFTEENTH DISTRICT OF OHIO

The problems of old age are as old as the human race. Man lives by work and when his capacity for work decreases, or when profitable employment cannot be found, many individuals cannot purchase the bare necessities of life.

In ancient times when man wandered from place to place in search of game and other foods he had little time to care for the aged. He had less inclination to share his meager food supply with those no longer able to join in the chase. Old people were left to die alone by the side of the trail.

Under the influence of the Christian admonition to "Honor thy father and thy mother that thy days may be long upon the land which the Lord thy God giveth thee," the peoples of much of the world developed a new appreciation of older people.

The wisdom of our elders was sought after and the contribution they made to the wealth of the world by a lifetime of toil was considered worthy of the right to live out their days in happiness and security. Each family attempted to care for its own. Those without family or friends were cared for by the township, county or municipality.

Great discoveries of medical science and the practice of modern sanitation has doubled the span of human life. Where few reached the age of 60 a 100 years ago, today millions live far beyond that age. In fact, there were less than 1,000,000 people over 60 years of age in the United States in 1850, less than 100 years ago. Today, there are 17,000,000 and the total increases continually.

The advent of the machine age resulted in widespread industrialization and mass production. The fast pace in factories, mines, and other industries required alert, young, and strong workers. Year after year the older segment of our population found it increasingly difficult to secure employment. Except for the period of World War II when the labors of all our people were required, there have been millions over 60 who could not find gainful employment, even if they were physically able to labor.

The depression made our people conscious of the needs of older people. Widespread unemployment, decreased wages, shrinkage of local taxes, made it impossible for either individuals or local governments to support the older unemployed. State after State adopted laws to provide old-age pensions.

Finally, the Social Security Act was passed by Congress and, for the first time the Federal Government had a plan whereby a portion of our people could lay up a reserve to be paid them in old age. Everyone realized that this act was

only a step toward a full solution of the problem. We must move ahead, either by expansion of the existing system or by a substitute system that will better serve the needs of our people. I prefer the latter course.

I have always been profoundly convinced that this country needs a universal national system of old-age security. That is why I voted for the revised Townsend plan in 1939, along with 100 other of my colleagues in Congress; and that is why I have, during the subsequent decade, signed discharge petitions entreating the Ways and Means Committee to release national pension bills for debate and a vote on the floor of the House. I feel as strongly today as I have ever felt. Indeed, I believe the need for a national insurance system covering all the people is even more compelling now than ever before.

As I have stated, the proportion of aged persons to the total population is increasing rapidly and medical science is steadily prolonging the life span of our people. At the same time, industry is constantly inventing new machines to do the work previously performed solely by manpower. It is not fantastic to envision for the future a sort of Jules Verne push-button economy in which a relatively few number of workers will be able to produce all that the rest of us can reasonably consume.

This combination of increasing age and technological progress poses a challenge we cannot ignore. Suppose a depression comes? Or suppose that, short of depression, our economy enters a state often described as "recession." In such an event, it appears reasonable to assume that marginal workers will further find themselves among the ranks of the unemployed. And I think we can all agree that the marginal labor force consists primarily of the overaged, the disabled, the blind, and widows with small children to support. These are the people a national pension plan proposes to protect.

But we do not have to fear a future depression to justify the need for the legislation today. The need is already great. Total living costs have just about doubled over the past 15 years. I for one do not see how many families can live in decency today on the earnings they receive, and I don't see how a single man or woman—especially those who must buy their meals in restaurants—can do more than exist.

Yet millions of Americans are doing just that. Old-age assistance paid an average of only $42.02 per month to individual recipients as of December 1948. This program affects about 2,000,500 aged men and women past 65 years of age. Many of them, of course, received far less than the $42 average. Moreover, the amount paid depends to a great extent upon where the recipient happens to live. For instance, the December average in Mississippi was only $16.38. The most generous State—Colorado—granted an average of $78.18.

Those citizens drawing benefits under old-age insurance—title II of the Social Security Act—are in even worse circumstances. They average only about $25 a month. As a result, thousands entitled to draw a few dollars under old-age pensions have been forced to seek supplementary aid under the old-age assistance section of the act in order to keep body and soul together.

Meanwhile, the old-age insurance reserve fund has reached the unprecedented total of some $11,000,000,000 (most of which, of course, is represented by bonds, or I O U's). Thus, we have the curious spectacle of billions collected and unused while millions of humans struggle to make ends meet on a pittance—and at a time when living costs are at an all-time high.

In terms of per capita income, the old folks of America are truly forgotten people. For the Nation as a whole, per capita income for 1947 amounted to $1,323, according to the Department of Commerce. Contrast this with the average of $504 ($42 a month for 12 months) paid to old-age assistance recipients, and the $300 paid to old-age insurance beneficiaries under social security.

We cannot gloss over the obvious conclusion that the present program is completely inadequate. It offers a mere pittance, not security at all. Its other shortcomings are legion. It fails to cover millions of useful citizens—farmers, farmhands, domestics, small-business men, professional men and many others. It pins the stigma of charity on those obliged to rely upon old-age assistance, and thus strips the individual of his dignity.

The American people have shown that they recognize the failure of the present set-up. No fewer than 8 000 business and industrial concerns have established private pension programs of their own, in an effort to supplement social security payments. Labor unions are beginning to take an avid interest in the pension field, as witness the United Mine Workers success in getting $100-a-month pensions for retired members of that organization. And then, of course, we have civil-service pensions, railroad retirement pensions, and special pensions for judges, school teachers, and war veterans. The list is endless.

But out of this confusion one undeniable fact emerges: Most of the people—ordinary, everyday American people—either have no old-age protection at all, or are forced to apply for the $12-a-month old-age assistance.

And so today we find ourselves meshed in a hodgepodge of pension systems, many of them overlapping, many of them contradictory, even, and at the same time we find a vast area in which there are millions of people who enjoy no protection at all. I do not want to destroy existing pension systems, but I do want a better system for old-age pensioners and I want a sound system for the millions of farmers and others that are not now covered by social security.

I want a system on a pay-as-we-go basis. Let us enact a program of social security that will be truly comprehensive—one that will take in all the eligible people of this Nation, and one that will grant equal benefits to all. Let us enact a program that will pay benefits high enough to enable recipients to live in decency rather than in poverty.

It is my belief that a social security system worthy of the name should do far more than provide mere subsistence benefits. It should guarantee reasonable purchasing power to the retired aged, and disabled, and the blind. A cancer in a man's body is not an isolated thing; unless cured, it will eventually destroy the remainder of the healthy tissue in his body. So it is with poverty. If a substantial segment of our people—the old and the disabled and the blind—are forced to remain in poverty their poverty will eventually spread and infect the rest of us.

People without basic purchasing power cannot buy the goods that industry produced and dealers have for sale. And when lack of purchasing power dries up the market, depression is on its way. We help ourselves by helping the aged. By helping them become buyers in the marts of trade, we help ourselves remain prosperous because we help protect the health of the market.

I have urged the Ways and Means Committee of the House of Representatives to examine with care H. R. 2135 and H. R. 2136, now before this session of Congress, and to report one of them with such amendments as may be wise and desirable. They call for a national insurance system covering all people and providing liberal enough annuities to make healthy purchasers of those no longer wanted by industry. The bills are identical; one was introduced by Congressman John A. Blatnik, Democrat, of Minnesota, the other was introduced by Homer D. Angell, Republican, of Oregon.

These bills embody the major features of the original Townsend plan, namely a 3-percent gross-income tax from which would be paid a pension to every eligible person over 60 years of age. Contrary to popular opinion, the Townsend plan does not, and never did provide a $200-per-month pension. It provides that the money collected in 1 month will be distributed 3 months later to those persons who are eligible to receive it. These bills provide for an adequate pension on a pay-as-y u-go basis. In good times, when prices are high, the pension would be greater. In bad times when income and prices are low, the pension would be less.

The great advantage of this system is the elimination of social-security taxes and reserves. To date $11,000,000,000 have been paid in social-security taxes. This money is invested in Government bonds. In a few more years this reserve will be over $100,000,000,000. This means that when a worker is ready to retire all the people must be taxed to pay the bonds to get the money to pay the social security benefits. It means a double tax for every pension paid. How can we be sure the money can be raised 20 years from now by normal taxation? The only safe step is to put the whole pension system on a pay-as-you-go basis and make all persons, including farmers, eligible for the pension if their income is below specified amount. That amount is not stated in the bill, but should be inserted in accordance with the judgment of the Ways and Means Committee or the Congress.

Furthermore, this system will make it unnecessary for the State to tax its own people for approximately one-half of old-age pensions, as all States must do under the present law. In Ohio alone this would save $34,683,000 in taxes. This amount would permit Ohio to give teachers a real raise, contribute fully to distressed municipalities, replace condemned school buildings, and balance the State budget. In 10 years Ohio would save $346,830,000.

A national system of old-age security is certain to come and the sooner it is adopted, the better it will be for the Nation as a whole. Such a system will include millions not covered by social security, it will eliminate the tremendous reserves being built under the present law, it will produce sound economy by paying the bill as we go, and it will provide an adequate pension for all who deserve it. Furthermore, it will enable millions of elderly people to retire in

comfort thereby assuring employment for all those who are younger. It is our greatest insurance against depression. I hope this Congress will act.

The CHAIRMAN. Congressman Angell?

STATEMENT OF HON. HOMER D. ANGELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OREGON

Representative ANGELL. Yes, Mr. Chairman.

The CHAIRMAN. You may have a seat there, if you will. You have a written statement?

Representative ANGELL. That is correct, Mr. Chairman; I have given 13 copies to the clerk.

The CHAIRMAN. Have you one that you can furnish to the reporter?

Representative ANGELL. Yes; I have furnished one.

The CHAIRMAN. You wish to enter that statement in the record?

Representative ANGELL. I do, Mr. Chairman.

The CHAIRMAN. It will be entered; and any supplementary or additional statement that you wish to make, the committee will be very glad to have in the record.

I would be very glad to listen to you at this time, Congressman.

Representative ANGELL. Very well, Mr. Chairman. I will not presume to take much of your time. However, I have a written statement, as I have said, which I have prepared, and I have furnished sufficient copies for each member of your committee. It is a statement of 12 pages.

I am the author of one of the so-called Townsend bills, H. R. 2136. I have been in the House now for 11 years, and I am going on my twelfth year. I am very much interested in social security, particularly for the sick and the aged, and that was my interest and concern for some time before I came to Congress, while I was in the Oregon Legislature. I have sponsored similar bills during that entire time.

As you know, we spent considerable time on H. R. 6000, which you are now considering, in the House. It is the feeling of those of us who are sponsoring this legislation that H. R. 6000 does not meet the problems of old-age security which we are hoping to solve.

We feel that the care of the aged who are 60 or 65 years of age in our complicated social framework under which we operate in this country presents problems that are not being met under the social-security program we now have. As you perhaps know, of course, better than I, most all of those who have appeared before your committee on this problem frankly admit that, proponents of social security as well as its opponents. We feel that that system is not working satisfactorily.

My printed statement will suggest the reasons why I think, as a sponsor of this bill, that a program along the lines of these bills is sound legislation, where all persons contribute alike during their working years to this program and then when they reach 60 years of age are entitled to be paid a stipulated monthly sum, sufficient to meet their requirements. Those requirements, of course, are not being met at the present time.

Under social security only some $26, average payment, is now being made. About 3 billions has been disbursed under that program, but there is about $12,000,000,000 backed up in the so-called trust fund. The exact amounts are given in my statement. We feel that a pay-as-you-go program would meet the problem much better and would

not disturb our economy as much as the existing arrangement, and would meet the needs of this large group of elderly people.

By reason of our social and economic situation, that group is increasing. And when a person reaches the age of 60 years, it is difficult for him to find employment in many industries, or even agriculture, as used to be possible in the old days; and as a natural consequence, if they do not have funds of their own they are at the mercy of the Government doles or charity. We feel if all were to cooperate in providing a program such as set forth here, on a pay-as-you-go-basis, in the long run it would be no greater burden on the taxpayer and society than the existing obligations of Federal, local, and private institutions.

That, in brief, Mr. Chairman, is the pith of the statement I am making, and I would be glad, with your permission, to submit a more extended statement for the record.

The CHAIRMAN. Thank you very much, Congressman.

Are there any questions that you wish to ask, Senator Millikin?

Senator MILLIKIN. I have no questions.

The CHAIRMAN. Thank you, Congressman. Your brief will be entered in full in the record.

Representative ANGELL. Mr. Chairman and members of the committee, I thank you for your consideration.

(The brief referred to follows:)

STATEMENT OF HOMER D. ANGELL, MEMBER OF CONGRESS FROM THE THIRD DISTRICT, OREGON

Mr. Chairman, during my 11 years in Congress I have been deeply interested in old-age and disability security, and am the author of H. R. 2136.

I am appearing before your committee today suggesting that the provisions of H. R. 2136 and its companion bills be embodied as amendments to H. R. 6000. If this were done we believe that many of the social-security problems for the aged and disabled would be solved.

It is conceded by all that the existing social-security program is not meeting the needs of America's aged, either in coverage of the needy aged or in the amounts of the monthly annuities being provided to the recipients. In a letter to the distinguished chairman of this committee on April 6 last, Ex-President Hoover, Chairman of the Commission for the Organization of the Executive Department, said:

"I wish to say at once that I strongly favor Government provision for protection of the aged and their dependents. The problem before the Nation is to obtain a workable system, with a minimum of bureaucracy, adjusted to the economic strength of the country which gives an assurance of security to this group. In my view, we have not yet found that system."

The testimony of Mr. Arthur J. Altmeyer, Commissioner of the Social Security Administration before this committee shows that the present system is woefully lacking in providing adequate protection to these worthy citizens who, by reason of age or disability, are unable to receive sufficient funds to meet their minimum needs.

The fact-finding board appointed by President Truman recently to consider the wage dispute between the United States Steel Corp. and its workers reported as follows:

"The concept of providing social insurance and pensions for workers in industry has become an accepted part of modern American thinking. Unless Government provides such insurance in adequate amount, industry should step in to fill the gap. Government * * * has failed to provide social insurance for industrial workers generally, and has supplied old-age retirement benefits in amounts which are not adequate to provide an American minimum standard of living."

Mr. Chairman, the Advisory Council on Social Security to your own Senate Committee on Finance reported that it found three major deficiencies in the old-age and survivors insurance program which I quote verbatim:

"1. Inadequate coverage: Only about three out of every five jobs are covered by the program.

"2. Unduly restrictive eligibility requirements for old workers: Largely because of these restrictions, only about 20 percent of those aged 65 or over are either insured or receiving benefits under the program.

"3. Inadequate benefits: Retirement benefits at the end of 1949 averaged $26 a month for a single person."

In fact almost without exception qualified experts who have examined into this old-age security problem facing our Nation have reported the deficiencies of the present system and the need for major overhauling or substitution of a new system therefor.

We in America can be justly proud of our achievements in the development of our industrial production which enables us to stand in the forefront of all nations in the ability to produce food, clothing, shelter, and other necessities of life in abundance, not only for our own people but to help other nations in need. This was a major factor in winning the war. However, with machine labor and mass production, we have found that the elderly people of America, by reason of the very success we have achieved in production, are outcasts and have been deprived of remunerative employment in their declining years and many of them are in dire need.

Existing social and economic conditions force upon us the complex question of security for the individual in our modern industrial civilization. Since 1919 the number of self-employed individuals in the United States, including farmers, has remained fairly constant at about 9 or 10 million. During the same period the number of employees in the American labor force has risen from 32,600,000 to over 60,000,000, almost double. Since population has been increasing during this entire period, the percentage of self-employed persons in the United States has declined from about 22 percent in 1919 to about 17.2 percent in 1949. In other words, we are facing an age-old problem under rapidly changing conditions.

The young and vigorous are on the pay rolls of this machine age and the elderly citizens are relegated to the side lines. As a result of this maladjustment, we find the aged unemployed increasing in numbers and in want, and we are faced with the problem of social security to meet the needs for livelihood of this large group. To meet this problem the Seventy-fourth Congress passed Public Law 271 setting up a social-security program not only for the aged, but for the blind, dependent, crippled children, and with certain assistance to maternal and child welfare, and public health. The Seventy-sixth Congress made extensive amendments to the law, and as a result we now have two major programs governing social security—title I providing grants to States for old-age assistance, and title II setting up a program for Federal old-age and survivors insurance benefits. For over 10 years now these laws have been in operation and we find that they fail, in many important particulars, to meet the problems we are seeking to solve in providing adequate social security for the aged and disabled.

In order to remedy these deficiencies, your Advisory Council recommended that the coverage be extended to include the self-employed, farm workers, household workers, employees of nonprofit institutions, Federal civilian employees, railroad employees, members of the armed services, and employees of State and local governments, all of which are now excluded from the benefits of the act. The Council further recommended extending greater liberality in eligibility and increased benefits and survivors protection. H. R. 6000 contains some of these recommendations. The findings of this Council clearly disclose that the present social-security program is basically inadequate and must be completely overhauled or supplanted by a more effective program.

There were more than 100 bills pending in the Eightieth Congress proposing changes in the social-security law. Several sought to increase old-age and survivors insurance. Forty-one urged increases in old-age assistance, 13 dealt with aid to dependent children.

The problem of caring for the aged, the disabled, and dependent children, as seen today in the eyes of proponents of the Townsend plan and others, is that there are millions of such persons in need among us who are not now, and cannot in the future, be cared for in a honorable and just way by the present system of social security. Under this system, millions of old people receive either no support or hopelessly inadequate support. The system which has been set up is extremely complicated and its administration costly. To rectify these deficiences we propose H. R. 2135 and H. R. 2136.

The philosophy and objectives of the Townsend proposal as compared with the existing system have much in common, but there are marked differences. Our proposal would give recognition to the past labors of the aged and would offer them dividends from the wealth they helped to create. It would give this as a

matter of right without any direct relation to specific monetary contributions. The existing old-age and survivors' insurance program gives benefits as a matter of right but ties them to a principle of insurance—something that each prospective annuitant and his employer buys as he participates in the productive processes of the country. Finally old-age assistance is provided to the aged who, because of the lateness of starting the program of old age and survivors' insurance or because of inadequate coverage or benefits, are in need and should be helped.

We believe that annuities should be offered with neither the stigma of charity or of poverty. They should be offered as a matter of right as dividends from the national wealth the aged have helped to create. A system should be adopted to replace the complicated, arbitrary, and inequitable provisions of the existing law. It should be one which will have a stimulative effect upon our economy and one which will help to make available jobs to all the young who will replace the aged as the latter move into retirement at a decent standard of living.

Only a noncontributory plan will meet the needs of those now grown old who are in need because of past neglect in providing an adequate contributory retirement system. Since at the time the system was adopted most of the States were financially unable to assume the burden of so many aged who moved on to Federal relief rolls, it was deemed proper to continue to provide Federal aid to States to provide relief to those aged who were in need.

Much of the argument in support of the Townsend plan stems from the limited coverage and inadequate benefits of the present system. For example, most of today's aged who are not working left the labor force before they could build up rights to benefits under OASI. And even among the young and still employed, under the present OASI system, there is no coverage for jobs in agriculture, domestic service in private homes, Federal, State, and local government employees, and workers in religious, charitable, and certain other nonprofit organizations, the self-employed and others as well. About one-third of the workers engaged in employment are not covered by the system; and of the 78,900,000 living persons with OASI wage credits at the end of 1949, about 35,500,000 were neither fully nor currently insured on the basis of their wage records, and hence were not protected under the programs. In the Federal Security Agency, Social Security Administration Annual Report, 1947, section 1, page 7, it is said:

"Under our present provisions it would be possible for an individual to work at some time during the course of his working life in jobs covered by Federal old-age and survivors' insurance, the Railroad Retirement Act, the Civil Service Retirement Act, and the retirement plan of a State or locality. According to the length and timing of such employments, he might become eligible to receive retirement benefits under one or more or all of these plans. Another man, with similar earnings under several of the programs, may go through a working life without ever acquiring retirement rights under any. Conceivably the survivors of a worker who dies might be eligible for benefits under a Federal old-age and survivors' insurance system as well as under a State workmen's compensation law and under general veterans' legislation. Another family, equally in need of income to replace the father's earnings, may have had no opportunity to gain protection under any of these programs."

No Federal provision is made to care for the disabled other than the needy blind. In the same report, pages 21 and 22, it is said:

"The United States is unique among major industrial nations in its lack of a general disability insurance system. Compensation for wage loss due to incapacity is confined in this country to work-connected accidents or diseases in industry and commerce, to service in the armed forces, and to employment in the railroad industry or by government. Two States provide benefits for temporary disability under arrangements similar to unemployment insurance and with the same coverage. In June 1947 these special systems, in the aggregate, reached very few of the 2,000,000 to 2,500,000 persons disabled on an average day and recently in the labor force, who but for their incapacity would be working or seeking work."

Under the existing law under old-age and survivors' insurance the average benefits are about $26 per month according to the latest data available from social-security records. To obtain this payment the worker and the employer would have to make contributions over a long period of time. On the other hand the average of old-age assistance—not available to those under the retirement plan but given only on a claim of need is about $16 more per month than the old-age and survivors' insurance payments. According to late figures payments in Colorado reached $78.29; in California, $61.25; in Washington, $60.33. It is thus shown that those receiving assistance who did not contribute to the program received very substantially more than those who through the years contributed

taxes based on monthly incomes. Recipients of relief exceed by nearly 1,500,000 the insured workers who are drawing benefits, according to recent reports.

This experience is directly opposite to that contemplated when the Social Security Act was enacted. It was believed that gradually all old-age beneficiaries would come under the provisions of the old-age and survivors' insurance program and those receiving assistance on the basis of need would be gradually reduced and eventually eliminated.

A major defect in the resent system is the smallness of individual payments and their inadequacy in providing a decent standard of living. The old-age insurance program is based, in respect to the payments to the recipients, upon the contributions made by the workers, the employees, and their employers. A vast actuarial plan has been set up, requiring the attention of highly trained actuaries. Almost endless files are required to house the data collected. At the end, the average worker comes out with about $26 a month, far less than he would get if he were under the old-age assistance program. This plan actually contemplates that these actuarial calculations will become effective against a worker 16 years of age who is in a covered occupation, and that for 50 years until 65 years of age is reached the Social Security Board will keep track of the employers and of the tax payments made from wages; as a result of these calculations, it will determine what the worker will receive 50 years from now. The sad and pathetic aspect of it is that these payments will amount to only approximately $10 a month, which is the minimum, or up to approximately $60 a month, which is the maximum under the existing law. As a matter of fact, these payments are so meager the recipients are unable to sustain their lives in decency and health.

We are experiencing today, with the depreciated dollar, the futility of attempting to determine a fixed dollar income for retirement pay 10, 20, or 50 years in advance. The dollar today will purchase little more than half what it did when these payments were scheduled. Annuitants with fixed income based on prewar values are able to buy only about one-half of the food, clothing and other necessities their meager annuities would provide before the war. It is rash to attempt to fix by statute and provide through reserves the payments that will be paid many years hence. Changes in the purchasing power of the dollar are so great that attempts of one generation to set minimum decent standards of living for succeeding generations cannot but prove fruitless and just wasted motion.

The Townsend plan is flexible and would change with the changing conditions and purchasing power of the dollar. It would also do away with the endless bookkeeping and statistical work and filing routine and office space needed to keep the accounts of 75 to 100 million workers.

It is not possible to estimate definitely the per capita annuity that would be available under the Townsend proposal should it be enacted. Its virtue is its elasticity, the monthly payments keeping pace with the purchasing power of the dollar. The tax formula could be changed by the Congress from time to time to meet the existing needs. Since the amount of the monthly payments for the beneficiaries depends upon the tax collected and the number of eligible citizens who apply for the annuities, it is not possible to determine with any degree of accuracy what these payments would be without knowing the national gross income and the number of recipients. However, amounts payable under the Townsend plan will be found by subtracting administrative costs from tax receipts and dividing the remainder by the number of beneficiaries.

A major objection to the public assistance programs now in operation is that, being State administered, amounts paid vary greatly not only as between States, but also as between localities within the same State.

The Bureau of Internal Revenue is to collect the tax under the proposed Townsend plan law. Every person having a personal income in excess of $250 and all other persons or corporations having any gross receipts would be required to make monthly returns. Much of this work of collection could be eliminated if some method of collection at the source were devised. Another administrative problem would be the sending out of the checks each month to the pensioners. A similar problem is now being met under the Social Security Act.

Under old-age and survivors' insurance, the Social Security Administration in the Federal Security Administration administers the payment of benefits, while the Bureau of Internal Revenue collects the tax. The cost of administering this program is now running around $53,000,000 per year. Total costs through 1949 were about 12 percent of benefits paid out and a little more than 2 percent of total receipts—taxes plus interest on assets. For the fiscal year 1949, administrative costs were 3.1 percent of receipts and 9 percent of benefit payments. Part of the administrative chore is keeping the wage records of 78,900,000 living persons and

determining the amount of benefit each—and his family—is entitled to if and when he or they become eligible for a benefit payment.

Though old-age and other public assistance plans are State administered, the Federal Government contributes to the administrative costs. The Federal contribution is one-half the cost of these programs. The total Federal and State administrative costs in the fiscal year 1949 ran approximately as follows: Old-age assistance, $66,028,000; dependent children, $31,918,000; needy blind, $3,046,000.

The tax proposed to finance the Townsend plan is a gross income tax. Practically every argument that can be raised against this tax can be raised against nearly every other tax in force today. Two strong counterarguments, however, do exist against the so-called regressive nature of the proposed tax. The first is that no tax should be considered apart from the use to which the revenues derived are to be put. While sales taxes are objectionable the laudable purpose of this tax overcomes the objections. Second, experience demonstrates that the people of more than half the States have sales taxes dating back to the depression of the thirties. But to return to the first argument, it is apparent that persons in low-income groups will receive annuities in their old age at small cost. Persons in upper- and high-income brackets will have paid more for their annuities than the low-income groups. Yet, all will receive the same annuity. Therefore, instead of being regressive, the tax is in effect progressive. And further, it is not improper to suppose that the burden of the tax—to the extent they are not dissipated by the positive stimulus that currently paid annuities will have on the economy, will be borne willingly by all in the realization that by paying a tax today they will guarantee themselves an honorable and just annuity when they too, are disabled or reach the age of 60. All wages in excess of $250 a month would be taxed 3 percent. There would be no other deductions. The tax on wages and other income would be justified by this direct benefit of an annuity to every taxpayer upon qualifying.

The thought behind this proposal is that in the years before the war people in general tended to hoard their earnings. Consumption did not keep pace with the ability of the economy to produce. The result was that we had underproduction, underconsumption, and unemployment. Today we produce more goods than the market will absorb. The Townsend plan would help to utilize this oversupply, such as we now have in eggs, meats, cotton, and other staples. There will be no incentive for elderly people of limited income to hoard their meager earnings as the haunting fear of old age and destitution will have been removed. The proceeds of the tax will go to people who will move out of employment. They will be required to spend the proceeds of their annuities within 30 days. This will stimulate production, production will promote employment, the younger will move into jobs vacated by the aged, and we will have prosperity.

The old-age and survivors' insurance program, being a contributory plan based upon contributions by both employers and employees, each paying a tax of 1½ percent of the first $3,000 of wages to be increased to 2 percent in 1952. Wages must be based on take-home pay if families maintain an adequate standard of living. The plan gives inadequate relief to those covered and is unjust to those not covered. These taxes go into what is called a trust fund which on December 31, 1949, amounted to $11,815,921,753.51. The Government spends the trust funds as received for the regular expenses of government, and replaces the funds with Government securities bearing interest paid by the Government, which encourages deficit spending. It follows that when these funds are needed, in lieu of the bonds the Government will be obliged to levy another tax on all taxpayers to meet the demands upon the fund. Notwithstanding this huge balance in the trust fund on December 31, 1949, there had been paid to beneficiaries under the program up to that date only $2,995,769,618.80.

The old-age assistance program under the present social security law is also wholly inadequate to provide a decent annuity to old people of our Nation who come within its provisions. It is a starvation allowance. There is little uniformity in the payments made in the several States. Many old-age annuitants are suffering from malnutrition and starvation.

If we are to preserve the American way of life and our economic and democratic processes under free enterprise, we must find a solution not only for our unemployment problems but also for the problems of providing adequate care for the aged and disabled. With an accelerating advance in technology in the postwar era, and with the commercial development of atomic energy presaging more rapid transitions in mass production, the social risks and hazards of unemployment and old age are increased. Rather than see workers pushed from active labor force, hit or miss, the logical policy to follow is one of selection. The older group has

earned retirement. Many of them are not covered by the Social Security Act. By covering the entire group, the whole process of business activity will be stabilized. Retirement payments will provide continuous buying power, will provide the needed balance in market demand, and will help to provide mass consumption without which our mass-production economy cannot function successfully.

The aged, through no fault of their own, through the fiat of industry, are denied a part in production. They toiled the longest in production and should not, when old, be deprived of taking part in consumption. They are the victims of an industrial system for which they are not responsible. Society owes a duty to these old folks, and it can only perform this duty by establishing a national annuity system providing against the hazards of old-age and disability. There are millions among us, 60 years of age and over, who are not now being cared for in an honorable and just way by the present system of social security, and are receiving no support from any source of hopelessly inadequate support.

Mr. Chairman, I most sincerely and respectfully urge that this great committee give heed to the needs of this large segment of our population by adopting the provisions of H. R. 2135 and H. R. 2136 as amendments to H. R. 6000.

The CHAIRMAN. Senator Taylor, are you ready to proceed?

STATEMENT OF HON. GLEN H. TAYLOR, A UNITED STATES SENATOR FROM THE STATE OF IDAHO

Senator TAYLOR. I would be glad to, Senator George.

The CHAIRMAN. You can sit where you are, if you desire to.

Senator TAYLOR. I will speak from here, then.

I do not intend to present any lengthy statement, because I understand that Dr. Townsend himself has testified, and I do not know who would be better qualified to testify on this bill than Dr. Townsend.

I believe, as was said by Congressman Angell, that the present social-security set-up is inadequate and cumbersome. In fact, it is getting to be a subject of jokes generally. I hear them quite often over television and the radio; jokes about our social security, how pitifully small the amounts are that recipients get.

I feel that a plan along the lines of this one, as Congressman Angell said, a pay-as-you-go plan, would inflict less strain on our economy and be much more satisfactory in every respect.

I believe that the greatest fear that we have in this country, and a very justified fear, is of another depression. I think that the only way we are going to get any change in our economic system, our way of life—which we do not want—would be for a depression to come along. As long as our people are decently cared for, they are not going to go to some other way of life. And a plan such as this, to keep the dollars rolling, to keep the turn-over there, I believe would be very sound and be the best possible course that we could pursue to meet this problem.

There is one other reason why I am particularly interested in seeing a plan of this nature put into effect, of universal old-age pensions. Under the present social-security laws, with their narrow coverage, the farm States are drastically penalized, because farm employees are not covered. And so, in those farm States, we have to take care of our own aged to a large extent. The Federal Government gives us matching funds, of course, but we have to put big sums of money into the old-age-assistance program, and we have a comparatively small part of our elderly workers who are covered in a social-security program. So the discrimination is very great as

between industrial States and farm States. That is another reason why I am particularly interested in seeing a change in our old-age-pension system.

I think, Mr. Chairman, I will conclude with those few brief remarks. As I say, I understand that Dr. Townsend testified yesterday and that there are others yet to testify today and, knowing how busy the Senators are, I do not feel that I should further impinge upon your time.

The CHAIRMAN. Thank you very much, Senator.

Senator Thomas was scheduled to appear this morning, but will not be able personally to appear, on account of illness. He will submit a brief for the record at a later date.

Senator Smith, you may have a seat, and the committee will be very glad to hear you on H. R. 6000, on any particular phase of it, or generally.

STATEMENT OF HON. MARGARET CHASE SMITH, A UNITED STATES SENATOR FROM THE STATE OF MAINE

Senator SMITH. Thank you very much, Mr. Chairman. I am pleased to be here at this point in the committee's hearings, in which the high light has been the testimony of Dr. Francis Townsend. Certainly no one has done more on this problem of old-age assistance than Dr. Townsend, and he deserves the thanks of every American.

The legislation which you are now considering is probably the most important domestic problem now confronting our people. From the cradle to the grave—from the first cry of the baby until the last beat of the heart—each and every one of us strives for the same things—happiness and security.

Individual independence and the capture of security through sacrifice, hard work, and saving should be the goal of all of us before we first turn to the Government as the dispenser of security to us. But not all of us are endowed with the tools and ability to achieve security through individual effort.

Circumstances, or "breaks" if you want to call it that, have granted some of us greater ability to achieve happiness and capture security. We have been endowed with greater productive or creative ability or with greater financial resources or with the rare and admirable ability to be happy with less of the material things than what the next fellow has.

Others of us are not so lucky. Our mental or physical capabilities have been limited from birth or have not been developed because of lack of means of development or have been impaired by misfortune. Depression, war, and inflation in unbroken succession have shaken the faith in the belief that man is the master of his own destiny. These conditions have proved beyond question that our Government must cope with the problem of social security and old-age assistance.

I think most everyone today readily agrees that our present social security and old-age assistance program is woefully inadequate both in coverage and amount of payments. It has been for a long time and this legislation is long overdue in the interest of a happy and stabilized America.

Only one out of every five of our senior citizens over 65 years of age receives any old age assistance—and the average payment is less than

$45 a month or less than $1.50 a day. This is not even bare subsistence in the face of today's cost of living.

If we possess the genius to build an atomic bomb, a hydrogen bomb that can threaten the very existence of the world, surely we must possess the will to provide the means of security for ourselves and our fellow Americans in our old age after we have given the best years of our lives to the development of our country.

Insecurity breeds war. A happy and secure people are the best guaranty against war. Adequate social security can make a great contribution to the realization of permanent peace. And the best place to start is right here at home in America—right here before this committee—right here in Congress.

Mr. Chairman, I ask your permission to give to the committee some correspondence that has come in from Maine on other phases of the legislation.

The CHAIRMAN. We will be pleased to have you file it with the clerk, Senator, together with any additional statement you wish to make.

Senator Millikin?

Senator MILLIKIN. No questions.

The CHAIRMAN. Thank you very much, Senator. We were happy to hear from you.

Senator SMITH. Thank you.

The CHAIRMAN. Dr. L. L. Poston? Is Dr. Poston present?

Doctor, you are not listed as a witness this morning, but the chairman has been advised that you are present and would probably like to make a statement.

STATEMENT OF DR. L. L. POSTON, DENTIST, DAVENPORT, IOWA

Dr. POSTON. How much time could I have, Mr. Chairman?

The CHAIRMAN. How much time would you need?

Dr. POSTON. About 10 minutes.

The CHAIRMAN. You may proceed, sir. You are Dr. L. L. Poston?

Dr. POSTON. Of Davenport, Iowa, a dentist.

The CHAIRMAN. Are you appearing here on your own behalf, as a citizen, or are you representing any particular group?

Dr. POSTON. I am appearing only in the interest of the general public.

The CHAIRMAN. You are not representing any particular organization?

Dr. POSTON. No one in particular; no, sir.

The CHAIRMAN. You may have a seat if you wish.

Dr. POSTON. Mr. Chairman and gentlemen of the Senate Finance Committee, I know you have heard enough complaints about the social-security law to not need any further condemnation of that peculiar enactment. The report of the Brookings Institution will thoroughly back me up in that. That conservative body doesn't report carelessly.

Also the many strikes that we are having show that labor is not satisfied with it in any way. So we will dismiss the many criticisms that could be made of that law, because I believe you are going to see your way clear to present to the public, to the Senate, a bill that is fair to everybody, that covers every citizen, as it should. Since all

citizens are now paying for the pensions that we now have, they therefore should be protected.

Now, the Townsend plan, about which you have heard from so many more worthy speakers than myself, would seem to need no commendation from me. And yet there are a few points that I think are causing it to be sidetracked. One of these is the fact that so many people get the idea that the people who are now old and entitled to pensions will get something for nothing; which is entirely unjust and untrue. The wealth of this country, as you know, has increased some five, six, or seven times during the life of these people. As to these people who are now old and on the retired list, or should be, surely for the 5 or 6 years that they, on the average, are going to live, they are entitled to a decent living for the rest of their lives, since they helped to make this great wealth.

But further than that, they will be paying the tax that is proposed in this bill on all money they receive over the exempted sum. Therefore they will not be getting something for nothing any more than anybody else. And while it is true that the young person will pay over a good many more years, those young people will have dispelled from their hearts and minds the dread of old-age want, and that would bring a peace of mind which is well worth what they would be paying for it.

Another point that has been somewhat in the way of getting this bill passed is the idea that it is intended for old people only; while in fact that is a very small part of the benefits that will come to the Nation as a whole. The young people, in the first place, will be assured of their old-age protection. They will therefore become happier people and better workers, better producers, because of that dread being removed from their minds. Also they will be presented with a better labor market, because of the retirement of these old people. Many of them would like to retire, but they feel that what they could get now, either through social-security benefits or old-age assistance, would not begin to keep up their living expenses. Therefore they are hanging on; a good deal like myself, 78 years old, still practicing dentistry. Well, I don't have enough to retire on. Poor judgment, I suppose. It isn't because I haven't worked all my life. It isn't because I haven't saved. I never have wasted my money in riotous living. Yet, because I was born, perhaps, with less judgment than I should have had, I have lost, through poor investments and things of that kind, what I did save. And I am only an example of millions and millions of other people, as you all know.

Now, there is a third objection, as I see it, to this bill as presented. And while the bill is idealistic and fine, and I would like to see it passed just as it is, I believe it can be made more acceptable to the Senate and the House by just one or two little compromises.

My honored friend and institutor of the Townsend plan, Dr. Townsend, I spoke to about this, and he said, "Well, any amendment should come from the opposition." That is all right, but if I am going to sell a bushel of potatoes to a man, I will clean those potatoes up and get them as presentable as I can, rather than leave them covered with dirt and looking bad.

So I think this bill should be presented in the most favorable light by such amendments as will gain the support of the House and the Senate, and not be one about which they will say, "Oh, we don't want

it because of this," or "because of that." They don't take the time to think how it can be amended to suit themselves.

Now, if there is any objection to any of the phases of the Townsend plan, perhaps the 3 percent gross income tax is the sticker. It is an added burden on our overtaxed taxpayers, but it is well worth what it is going to cost. But they don't take that into consideration. They fail to see that it is like advertising; it will pay for itself. Advertising wouldn't go on from year to year increasing in volume if it wasn't for the fact that it paid well for those who advertised, by increasing business. It is the same thing with the Townsend plan. It will so increase business that the tax burden wouldn't be felt at all.

But in case there is any idea that it wouldn't do that, and they object to the 3 percent, I would even go so far as to recommend that it be reduced to 1 percent. That is perhaps a revolution, in a way, for a Townsendite to say that. But I want to see this Townsend plan enacted. And let's present it in a way whereby we can get it through. After it is in for a while, we can raise that rate if necessary.

To make up for the loss in revenue that that reduction in tax rate would bring, let us reduce the exempting sum of $250, which the bill calls for, down to $100 a month income before it is taxed. The number of taxpayers that that reduction in exemption would bring in would have the effect of bringing in millions and millions of dollars. Because it takes in a great part of our population, those that are earning between $100 and $250 a month constituting really, I suppose, a half of our population. So that would make up to a great extent for what the reduction of the tax rate would cause.

But to be sure that the old people would get enough, a large enough pension, let us do one more thing. Let us raise the age at which pensions are paid from 60 to 65 years. That would cut out a bunch of people, and they would have to wait until they are 65. Most men have saved a little and would be able to get along from 60 to 65 on what they have saved. It wouldn't be so much a hardship on them as on the people over 65. Because by that time the people have spent what they have saved and they are much less able to earn anything.

Those three changes should so amend the Townsend plan that anybody would agree that it would be a fine thing. It wouldn't burden anybody to pay 1 percent on all over $100 a month that they receive. It wouldn't hurt anybody. And it would benefit the millions that are over 65. It would give them a just and equitable pension, that surely the old people in this great Nation deserve.

Gentlemen, I certainly thank you for the privilege of coming before you. And I hope that you will—well, let us paraphrase it a little bit and say "Give us some bread instead of a stone" as the social security law.

The CHAIRMAN. Thank you, Dr. Poston.

Dr. POSTON. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Davis? Mr. Arlon Davis?

You are not on the list, Mr. Davis, but the committee has been advised that you would like to be heard for a few minutes, and we can hear you at this time for 5 minutes if that will give you ample time.

You may be seated if you wish.

STATEMENT OF ARLON BARTON CYCLONE DAVIS, DALLAS, TEX.

Mr. DAVIS. Mr. Chairman, when I was assigned the period of 5 minutes by your distinguished clerk, Mrs. Springer, she laughed vociferously when I said that I might be able to say more in 5 minutes than some others would say in 5 hours.

The CHAIRMAN. I have no doubt that is so, Mr. Davis. Will you give the reporter your full name and your address?

Mr. DAVIS. Arlon Barton Cyclone Davis, 339 West Brooklyn, Dallas 8, Tex.

The CHAIRMAN. You are appearing for yourself, here, as a citizen?

Mr. DAVIS. No, sir. I appear for 227 clubs of Friends of the Aged, organized in that many counties in the State of Texas and for the C. H. C. Anderson plan of $60 over 60 for everybody.

The CHAIRMAN. Yes, sir. You may be seated if you wish.

Mr. DAVIS. Mr. Chairman, we take the position that society owes no greater obligation than under the generic law of creation it owes to those massive mudsills of American civilization that builded society. To those individual pioneers that builded the courthouses, the schoolhouses, the capitol buildings, of 48 States of the Nation and set up the grandest civilization on the face of the globe today.

As a basic assumption of the correctness of that, we have 48 "jumblelized" systems of old age assistance under the American status of States' rights. We have likewise about 12,000 industrial plans of social security. The Doughton House bill, H. R. 6000, in the opinion of my adherents, is neither social nor secure. And I quoted, by reference to it, yesterday, in the intemperate language that I use upon the stump in all of the States of the Nation, allege that it is asinine, idiotic, and imbecilic. That might be out of order in this meeting, because I remember that my father, while a Member of Congress at large for the State of Texas, had much of his intemperate language expunged from the record.

Mr. Anderson's plan in brief—and I shall submit to the committee a book written by him, autographed to you by correspondence heretofore, his plan in detail—provides a system of $60 over 60 for every individual, without qualification, investigation, or even application. Names taken from the census rolls, to be paid to rich and poor alike. It is feasible, reasonable, equitable, sensible, economical, constitutional, and advisable, in the opinion of its adherents.

I have, and file herewith a telegram from Mr. D. R. Jameson, chairman of the membership committee of Friends of the Aged clubs of Texas, authorizing me to substitute for them, or recommend the substitution for them, in lieu of House bill H. R. 6000, this C. H. C. Anderson plan. Likewise, Mr. Anderson makes the same written request duly filed with this honorable committee through me.

And if that has consumed the 5 minutes that I have been allotted, I thank you very distinguished gentlemen for the honor and the privilege of appearing before you upon this occasion in the interest of downtrodden humanity. It is a pleasure to me to lift my voice, judge righteously, and plead the cause of the poor and needy, as well as every other citizen in America, under the Anderson plan, who

would be amply protected, to begin with, for twice the sum, at about half the cost of the present set-up, because there will be no bookkeeping necessary under the Anderson plan whatever, not even an application.

I thank you most sincerely.

The CHAIRMAN. Thank you very much for your appearance.

Mr. DAVIS. Thank you.

(The material referred to by Mr. Davis is as follows:)

[Telegram]

DALLAS, TEX., *February 1, 1950.*

Hon. CYCLONE DAVIS,
Care Wright Patman, M.C., Washington, D. C.:

Cyclone Davis, Vice President and State organizer, Friend of the Aged Council, operating in 227 Texas counties, appearing before Senate Committee, Friday, is asked by us to have the Anderson plan substituted on House bill 6000.

D. R. JAMESON,
State Membership Committee of Friend of Aged Council.

DALLAS 8, TEXAS, *January 26, 1950.*

Hon. A. B. CYCLONE DAVIS,
Dallas 8, Tex.

DEAR CYCLONE: This is your authority to represent me before the Finance Committee of the United States Senate in its hearings on the bill passed by the lower House just before adjournment last year, H. R. 6000, a proposed amendment to the social security law of the United States, you to propose for me the substitution of the Anderson plan for the aged after 60, to pay everyone after 60, $60 per month for life, for H. R. 6000 and the present social security law as to the aged and State old-age assistance laws.

Under the Anderson plan those eligible under it at 60 can be placed on the pay roll without the necessity even of an application, being certified from the vital statistics records, which requires only one act in a lifetime for each person and then checks would be sent 12 times per year. All money still holding on the books for each person who has paid into social security to be refunded to him or her and payments by employees and employers to be stopped and the pensions to be paid from money raised each year by direct taxation and paid by the entire people of the United States according to their individual ability to pay. All welfare matters under present social security to be handled entirely separately from old-age pensions, either by the United States or turned back to the separate States. The cost of the Anderson plan, covering everyone after 60 will be cheaper than to finance social security (for aged alone) as provided by H. R. 6000 and the cost to the several States and counties as at present. It would relieve the employers of a great nuisance which would be greatly magnified if H. R. 6000 became a law.

Sincerely your friend,

C. H. C. ANDERSON.

THE ANDERSON PLAN FOR THE AGED AFTER SIXTY

HOW TO JOIN THE NATIONAL "OVER SIXTY CLUB"—NO FEES, NO DUES—IT COVERS EVERYONE—IS MORE ECONOMICAL THAN PRESENT PLAN

It is an acknowledged fact that the present social-security system does not cover nearly all the people. Anything that does not, is class legislation. In the administration costs alone the present plan is very costly both to the United States Government and to business. Even those who go into it, get nothing unless they continue to work for someone else until they are 65. Millions of business and professional men, farmers and farm laborers, and many others are not eligible for social security.

For 8 years, the writer was in the employment business in Dallas, and knows that it is almost impossible to place a woman who is over 35-years old, or a man who is over 40-years old, in any occupation that is now under social-security benefits, once they become unemployed. Also, no one not in such a business knows how much people move from place to place.

My first circular on this subject was printed January 14, 1946. I sent it to some executives of large institutions in the Middle West, and their reactions were very favorable. I also sent a copy to a man in an Eastern State, whose opinion I respect, and for which some newspapers and many individuals pay a large sum. In reply, he wrote in part, as follows: "Unfortunately, I am not an expert on old-age pensions, but it seems reasonable that the pensions and social security should be combined into a single proposition as you suggest."

About August 1, 1947, I interviewed the personnel managers of 24 representative Dallas firms, in 17 different kinds of business, and with a total of 11,643 employees, an average of 485 per firm. The information obtained showed that for beginner help the maximum age, employed in office and clerical jobs, was 32.6 years for males and 32.1 years for females. Twelve of the twenty-four firms, with a total of 5,081 employees, and an average of 423 per firm, employed sales help and the average maximum age for beginners hired was 37.75 years. Six of the 24 firms employed skilled mechanical or graduate engineers, and the average maximum age for new help employed was 47.3 years. Also 6 of the 24 employed warehouse help and the average maximum age for beginners was 43.3 years.

From the employment-service advertisements in a Sunday Dallas daily for August 3, 1947, I obtained these figures: Average maximum age wanted for office and clerical help was 28.75 years; for sales, 34.4 years; for skilled and engineering, 38.3 years, and for warehouse help, 39.3 years. Average for all four classes was 31 years. From these figures it is easy to see that this country is faced with a condition, not a theory and something must be done on a permanent basis that is fair and just to everyone and which will be a help in a business way, year after year, and my efforts are based upon these facts, and I will spend my own money and part of the remainder of my life, if necessary, to bring about a realization of this plan, which I believe will be one of the best things ever to happen to our country. I have accumulated so much interesting material bearing on this matter, that it will require a book to list it all, so, as soon as possible, I will have this book published, for the sole purpose of promoting this plan, but it will have some facts and figures about our own United States Government that will not be obtainable anywhere else in one place and will be very interesting to any person who is alive to what is going on, and they will date from the First World War on through World War II, and will be interesting reading even if you are not interested in what I am trying to do. This book will be sold for as low a price as possible and should there be any profits they will go to further promote the plan herein outlined. If you want to be notified when this book is ready for distribution, send us a penny post card, addressed to you, and it will, at the proper time, be mailed back to you with price and delivery date of the book.

Old-age assistance, usually under State pension acts, is not administered so that everyone is benefited alike, and the cost of its administration could be eliminated by the plan herein to be suggested. Old-age pensions (or assistance, as sometimes called) has been made a political football, and its administrative costs have amounted to a large sum, which under this plan would go direct to people eligible. When a law is proposed to sell more "booze" in any form, or for horse-race gambling it is always proposed to devote a portion of the license money to the old-age pension fund, to try and get old people to sell their birthright for a mess of pottage. Such propositions are disgraceful on the part of those who propose them and an insult to the aged people, for if they live past 60 they are usually our most worthy citizens. Once this plan is adopted every one at 60 will get $60 per month for life whether he is a pauper or a millionaire, and that will be a constitutional basis, fair to everyone. Also there is much injustice done in its administration, and a premium has been put upon idleness and shiftlessness. No human, nor committee of humans, can tell who is and who is not entitled to a State pension, even under the present requirements, and it is the belief of the writer that no State pension law is constitutional that does not cover everyone, rich and poor alike. If any rich man wants to turn his payments back to the Federal Government, under the herein-suggested law, he would have that privilege, but we must have laws that will not penalize thrift and sacrifice and put a premium upon indolence, wastefulness, and dissipation. Upon passage of the herein-suggested social-security law, any State, to have its citizens beneficiaries under it, would have to repeal its present old-age pension law.

A Federal law should be passed that will take care of both old-age assistance and social security, in one act. This can be done in a law that will provide for every American citizen, born in this country, and naturalized citizens who at 60 years, have been citizens of the United States for 15 years, a monthly pay-

ment from the Federal Treasury, of $60 per month, upon reaching, not 65, but the age of 60.

All the money which has been collected under the present social-security law has not been put aside, as in a savings bank, to draw out as people qualify for it under the law, but the people will have to be taxed, as the need arises, to supplement any sum that has been accumulated. To even keep the records required under the present law has required millions upon millions of dollars expenditure, both by the employers and the United States Government, and only a portion of our people will ever get any of the benefits. The administrative costs of both employers and the Federal Government could go toward paying the monthly payments to those entitled to them under the new law, and not now getting them, and would not be wasted money as now.

Upon passage of the herein-suggested law, all payments under social security, already made and not spent in behalf of the person for whom they were remitted, would be refunded to the individuals for whom they were remitted to the Federal Government by the employers.

In this country, vital statistics records are quite complete, and as soon as a person became 60 years of age, checks could be started to that person, and the saving in cost in organization, both in State and Federal Governments and other administrative costs, and the savings in costs to the employers, the writer believes, would pay the payments for most of those now left out of the State pension and social-security lists. However, no person who has nothing to spend is of financial benefit to the business of a community, State, or Nation, and putting into the hands of each citizen of the United States of $60 per month, from the time that person arrived at the age of 60, would stabilize business and would be profitable, from a cold-blooded business standpoint, to all our country's business interests. The United States Congress has more than once voted millions of dollars of the taxpayers' money to make loans to foreign countries so that they could use the money (our money) to buy from us. If that is good business, then it is also good business to use the same principle to furnish our citizens past 60 years of age, who have helped make our country what it is, $60 per month, so that they can regularly buy the necessities of life, and keep that money in circulation and improve all lines of business. The suggested law would cover all citizens, rich and poor alike, and all would benefit, and all should favor it. The present social-security law, as it stands is not a good one, nor an equitable one. The following letter, written April 11, 1946, by the Social Security Board was to a Dallas man, see what you think of it:

"As you attained age 65 in 1943, you need to have worked and been paid wages of $50 in each of 12 calendar quarters since 1937 in order to qualify for old-age benefits. As you worked in employment covered by the Social Security Act in 1937 and part of 1938 (he had quit because employer's age limit was 60) those wages will remain to your credit for the rest of your life. You have the privilege in the future of returning to work in that type of employment and building up your insured status. The Social Security Act does not provide for a refund of taxes deducted from your wages." He has no chance to ever get back even what he and his employer put into the social-security fund. In contrast with this an article was featured in a publication in February 1946, which I will tell you more about in my book, that gave an example of where a man died leaving a widow and two children, and showed how she could draw some $11,000 more than he had put in, to educate her children, and under certain conditions could still draw at 65 what anyone else could. How is the money obtained to pay this? To join the over-60 club just send your name and address and date of birth on a 3 x 5-inch card or piece of paper, and talk up this plan, and write your Congressmen and United States Senators about the Anderson plan.

C. H. C. Anderson, 1014 South Cumberland Avenue, Dallas 8, Tex.
Phone M-3715. August 8, 1947

Writer above born March 18, 1878 at Carlinville, Ill.; graduate of Blackburn University of that place, in 1899. Built two Nation-wide businesses of his own; 19 years with Sears-Roebuck Dallas store, most of that time as credit manager; 40 years in Texas; 35 years in Dallas. Pitched a tent on a west Texas homestead (southwest Ector County), December 15, 1907. In employment business last 8 years, which was sold August 6, 1947; now in oil-property business, at above address. He is opposed to any "cradle to the grave" social-security plan, or health or other crack-pot ideas along that line. He believes that no plan is right that does not include everyone, rich and poor alike.

How and Why the Anderson Plan Originated

(By C. H. C. Anderson)

On April 30, 1938, the age limit of 60, for executives, severed my connection with the Dallas division of Sears, Roebuck & Co., which firm I had served for 19 years, more than half that time as its credit manager. On August 7, 1939, my wife and I opened the Anderson Employment Service and operated it for 8 years. Anyone who has not had such an experience does not know all the problems of the aged, nor how best to solve them. After 2 years in it, the problems of the aged, which came to us daily, never left my mind, even at bedtime. I decided that there must be something better for the aged than what we had and I started studying the plans we had and gathering facts and spent a full year's time, over 8 years at it.

In my contacts I found that 95 percent of the people I contacted, and some Congressmen and some editors, did not know anything about the details of the social-security law nor the various State-aid laws for the aged and that unless they did know what we now had, it would be impossible for them to compare the Anderson plan for the aged after 60 with what we do have and know how much better the Anderson plan is. So I decided that all we now have and the Anderson plan should be printed in a book, so that anyone could read all about what we now have and compare the Anderson plan and see how much better, simpler, and more economical the Anderson plan is; so early in July 1949 I brought from the press a 200-page book, (with cover pages, 204), the Anderson Plan for the Aged After Sixty.

Twice in my life I got where I thought I had financial security for my wife and myself for life, but each time the bottom dropped out, and I had to start life over again, and there were a number of years during those two periods when I had a chance to look ahead and see no security and I know just how old people feel when they see no security ahead and do not know how they are to get by in their last years. Now that the Lord has blessed me with certain security for my wife and myself for our old age, and I know what a good feeling it is to have that realization, I crave it for everyone and I dedicated the remainder of my life to trying to get the Anderson plan into a Federal law. The peace of mind, alone, for millions of our people is worth all the plan would cost, but it is better in every way, more simple and more economical than what we now have or than what is proposed in H. R. 6000, passed by the House just before adjournment in 1949.

I am not a candidate for any office, and there is no way I can profit from the Anderson plan, except the satisfaction it will give me to know when I die that every person will know that at 60 there is certain security, and that each person will still be a free American citizen, with every right every other citizen has and not be under the slavery of such a law as we now have in some States, and if they want to work and earn an extra dollar they are free to do so.

There is no sound argument that anyone can make that a pension should not be paid to everyone, for everyone would benefit and everyone would help pay in accordance with his or her ability. All persons would be refunded what they had put into the social-security fund, that had not been paid back to them in some way and employers would be relieved of keeping multitudinous records, at great expense and inconvenience. Payments would not longer be deducted from pay rolls and all things under social security which are welfare matters would be handled separately, preferably by the States, and money needed raised by taxation. The money for the pensions would be raised by general taxation each year as needed. Those under present social security will be taxed again to raise the money to pay them, when it is due. There is no class legislation in the Anderson plan and it will be constitutional.

January 19, 1950.

Senator Walter F. George,
Chairman, Senate Finance Committee,
United States Senate, Washington, D. C.

Dear Senator: I have just wired you the following night letter: "AP today states Chairman George said, 'Pensions for everyone would mean abandoning our whole present program.' Is it a crime to abandon something that is wrong? Hoover Commission recommended something entirely different and told why. The Anderson plan advocates that and $60 per month for everyone over 60 and that would cost less than to pass H. R. 6000, which would only cover part of those over 65. Letter follows."

I am sending you tomorrow a copy of my book, The Anderson Plan for the Aged After Sixty. Please ask your Secretary to put it into your hands when it arrives. It will give you a lot of important facts about what we now have and outlines my plan.

My plan would take the place of all old-age social security and State aid for the aged; would wipe them out completely and let the other things handled under social security be turned back to the States, whose responsibility they are. Stop all payments by employees and employers. Pay everyone over 60, $60 per month.

I have been studying these things for 8½ years and spent a full year's time over the first 8 years. I was in the employment business for 8 years and no one who does not have some of that experience knows all the problems of the aged nor how best to solve them.

On my desk is a copy of H. R. 6000 and the report on which it is based and I have given a lot of time to it. I suggest that you again read the minority report and especially the supplement to that by Carl T. Curtis. They point out enough that is wrong with the bill and if it is ever passed it will, in my opinion, multiply the United States Government cost of administration by four and it will then only cover those over 65 and only part of them. It has thousands of irregularities that will require a lot of work and it will take a tremendous amount of time to figure for each employee. I was with the Dallas division of the world's largest store for 19 years and I know what it will do to an employer, in added costs and trouble.

Will you please tell me why Congress can never do anything in a simple way. Anyone might have thought of a plan like mine, had they wanted to, that covers everyone and requires not even an application for a person over 60 to get on the check rolls, one act in a lifetime, for each, does it, and the sending of 12 checks a year does the rest. Then it is fair, no injustice, no crookedness as now exists under State aid. It will be constitutional and will not be class legislation. Taxes would be raised year by year as needed and everyone would benefit and everyone would pay according to his ability. Employers would be freed from all the records they now have to keep, which would be greatly complicated by adopting H. R. 6000.

Kindly acknowledge the receipt of my book. Thanks.

Yours very truly,

C. H. C. ANDERSON.

The CHAIRMAN. Congressman Blatnik?

You may keep your seat there, Congressman, if you wish.

STATEMENT OF HON. JOHN A. BLATNIK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Representative BLATNIK. My name is John A. Blatnik. I am from the Eighth District of Minnesota.

The CHAIRMAN. You are appearing on H. R. 6000?

Representative BLATNIK. I am appearing on H. R. 6000.

The CHAIRMAN. Yes, sir. The committee will be very glad to have your statement.

Representative BLATNIK. Mr. Chairman, I have a prepared statement, which I ask permission to have incorporated in the record.

The CHAIRMAN. Very well, sir.

Representative BLATNIK. And I will summarize most of it, including some detail which is also contained in the statement, in order to save time.

The CHAIRMAN. You may put into the record your written statement and proceed with your supplementary statement.

Representative BLATNIK. Mr. Chairman and members of the committee, I thank you very much for this opportunity to appear before you and to present my views on this broad and very important problem of old-age and disability insurance.

I have been very interested in this for a long time. It has been a matter of great importance to those of us in northeastern Minnesota,

where about 40 years ago we had a high percentage of our population in the young group, people who came from the eastern United States and from Europe to work in the iron ore mines. We now find these people all growing old at about the same time. So I am confident that the problem is more accentuated and emphasized in my area than in many other places where I have had the opportunity to be. That explains my very deep interest in this problem for quite some years.

The result is that I was the author of old-age pension bill H. R. 2135. There is a companion bill, an identical bill, H. R. 2136, which was introduced by my colleague, Mr. Homer Angell, of Portland, Oreg. And in the Senate we had S. 2181, introduced by the distinguished Senator from Florida (Mr. Pepper) and several of his colleagues in the Senate.

I wish to go on record, Mr. Chairman, in support of a comprehensive, adequate, and liberal old-age pension system for all Americans who have reached retirement age, and to suggest that the provisions of H. R. 2135 be accepted as amendments to H. R. 6000 at this time.

Such action would, I feel, be in the best interests of about 11,000,000 persons who are now retired, the additional millions of Americans who will reach retirement age in years to come, and to the American people as a whole.

I believe it is self-evident that there is need for a uniform, comprehensive, long range, all-inclusive Federal program. The present varied system of pensions, both private and public, which we now have, is all leading in that direction. I think it is a matter of general agreement that the most important problem in America is the economic insecurity and poverty confronting fathers and mothers of America. That point I cannot overemphasize.

One of the most tragic and depressing and heartbreaking experiences that I go through when I go and visit my old friends—those whom I recall so vividly, so well, and with such affection, as young iron-ore workers when I was a youngster—and to see them lying idle, living on charity, supported in part by their children, sometimes friends and relatives, getting pensions which range as low as $7 a month; and never higher than $32 and $40 a month. Three weeks ago I looked up an old friend of mine, 70 years of age, and a very fine timber worker in the early days. I spent 2 years with him in 1935 in the Superior National Forest. And I saw him living alone in bachelor quarters, as we call them, in a little combination log and tarpaper cabin shack in the north woods. And I asked my friend, "What in the world would happen to you if some morning you could not get up, and it was subzero weather, and there were deep snows, and you were ill and could not help yourself?"

He has no telephone. "Who in the world would help you out?" And the poor fellow merely shrugged his shoulders.

I say, gentlemen of the committee, and Mr. Chairman, that it made me ashamed to think that we, the greatest and finest Nation in the world, with this magnificent and amazing capacity to produce, cannot take care of the aged people who have contributed their share toward the economy of our country in their day.

I will not go into statistics, which are contained in my prepared statement, about the rapid and continuing growth of the numbers of the old in our Nation's structure. I think samples as of this date in

the census test indicate that that will continue to grow. Where today we have 7.3 percent, or almost 11,000,000 people, over 65, by 1980, 30 years from now, there will be approximately 22,000,000 people over the present retirement age.

I feel that most Americans will today concede that the only real solution to this problem of old age is a liberal pension system financed and administered by the Federal Government. The passage of the Social Security Act of 1935 represented the acceptance of the thesis that the Federal Government is responsible for providing security against the economic consequences of old age; and House passage of H. R. 6000, Mr. Chairman, reaffirms this principle of Federal responsibility.

Everyone agrees, I am sure, that private insurance schemes and company pension plans are not the answer. Only a Federal pension system can provide adequate security for our old folks, and I am convinced that we have the answer in our H. R. 2135, and Mr. Homer Angell's 2136, which is the same as your Senate 2181.

Therefore, the issue before Congress today is, What kind of a Federal pension program shall be adopted? That is, to determine the type of a pension system best suited to providing economic security for the old folks.

There is certainly no denying that the Social Security Act was the major milestone on the road to old-age security. But it is only a step in the right direction. I will briefly list what I consider the inadequacies of the present Federal pension system.

(1) Less than 50 percent of all retired workers—and there are about 10.6 million—are drawing pensions from any source. Under our Social Security Act, I believe there are approximately only about 2.3 million persons that are receiving pensions. Another 2 million are receiving old-age assistance.

(2) No more than 60 percent, just a little over half, of all our workers in our country presently employed are covered by the Social Security Act.

(3) The payments are pitifully small and wholly inadequate. The average monthly benefit from Federal old-age and survivors insurance is less than $26 per month. The national average for old-age assistance is a little over $36 per month.

(4) Millions of our senior citizens are denied old-age assistance, denied even this limited aid, because of State restrictions, such as what I call pauper oaths. I regret to say we have an old-age lien law in my own State of Minnesota, called old-age lien laws. And I can cite you case after case after case of a proud old farmer, who has his own homestead, and who is asked to sign a lien and turn it over to the State of Minnesota before he gets his $28 or $32 a month. They hold out to the very end, and only sheer emergency, usually illness, will force them to sign over their old homesteads, in which they have spent almost half a century of their lives. They have that attachment to their homes, their little bits of properties that they have left.

(5) The present pension system I think can be very honestly and easily characterized as a curious hodgepodge of Federal insurance, old-age assistance, State pension plans, and company schemes. It is an uncoordinated patchwork, giving less than 50 percent coverage, and little protection against the insecurities of old age. If this is to

continue it is going to be a major national problem. We saw a sample of it when a large segment of organized labor last fall, involving half a million workers, went out on strike, where the primary issue was not increases in wages but old-age security. My father was among the group. I find my father, not to make this personal but to show that our experiences with other people are carried right down to our front doorstep, right into our very home and kitchen, is earning about $2,100 a year, and he and mother live a very simple life. Ordinarily that should be very adequate for their needs, which are most modest. But he told me when I was home 3 weeks ago, "John, if it was not for what little help we have gotten from you, I could not make ends meet for Mom and I alone." He said, "We were able to raise three children in a depression, too." And that was when he was out of work for 3 years, when I had to go to work in the CCC camps for 2 years, when my brother and sister worked our way through on the relief programs, through college. "Somehow or other," he said, "we were able to make ends meet at that time, but I can't do it now."

We have organized labor and we have the veterans with growing demands for some sort of pension, and those demands and pressures are going to increase, markedly increase, I believe, in the near future. We have a variety of other programs. The pressures and demands from these various sources are going to grow by leaps and bounds in a few years. I think our total costs, in very conservative figures, are about $15,000,000,000 a year. And we have economists and experts who have spent a lot of time on this, and I have spent a lot of time with them, and I have been deeply impressed by the thoroughness and the accuracy and the restraint that the economists and officials and representatives of the Townsend organization in Washington have shown in going into this whole problem. They have presented the thing in detail. But I believe that they will state that our costs today, our over-all national costs, for pensions, are about $15,000,000,000 a year, both private and semiprivate, and State and Federal.

So I think there is simple logic in the course of action which we propose, which we hope will be incorporated in H. R. 6000. We think it is the logical approach, the inevitable one. We think it is no longer a question of "can we afford it?" I think we are going to find out that it is going to be expensive not to incorporate our program. I believe the need is for a pension of at least $100 a month. Just a few years ago, it would have been unthinkable to make that proposal. Yet it is accepted by many in the Congress of today and by the people of America. The fact is that the Social Security Act, based upon the insurance principle, fails to give adequate coverage. Even if its coverage were extended to all workers, it would still fail to provide security to older workers or give younger workers in the lower income groups any real measure of security.

The facts indicate, Mr. Chairman, that no plan based on the insurance idea will provide old-age security. The way to finance old-age pensions is through direct taxation, which is proposed in our H. R. 2135 and the other numbers enumerated before.

There will be those who will disagree with our proposal to finance pensions through a 3 percent gross income tax. I am not going to take the committee's time covering this question. It will be covered by the statistician and representatives of the Townsend organization

here in Washington. But I do say that if a gross income tax is inacceptable, it is the duty of the committee to find a better substitute plan of direct taxation to finance old-age pensions. I am confident that the principle proposed by our bill, of direct taxation, is the sound one.

So I will close this testimony by urging from the depths of my heart, with all the conviction within my limited means, that the committee seriously consider this important matter of working out a national old-age-pension system, to provide an honorable pension system for the fathers and mothers of America.

I would be a most unhappy and disheartened person, if I had to work for the Federal service, and approach some of these aged people and hand them a check amounting to $18, $25, $28, $32, maybe as high as $40 a month, and say, "Look, pa and ma. This is what you are going to live on for this month." I think it would be easier to commit some of those people to jail, give them a jail sentence, and say, "We will take care of you in this jail for a month," rather than to approach them with what I would regard as that most calloused and cynical proposal, telling them, "Well, you must get along on $25 or $30 a month," in this time of high living.

The grief and the sorrow and the concern that are so apparent in these little homes where we find these aged people spending night after night after night, waiting out the closing years of their lives, may well be imagined, and I think that we must agree that they are being treated in not only a most miserable but a most inhuman, indecent, and unjust manner. We are asking these people to spend the sunset years of their lives, the few hours that they have left of their lives, in these circumstances. I cannot see how we in America can tolerate any longer this most unjust and tragic condition involving millions of people.

I maintain that it is the responsibility of Congress to take action now to provide just and honorable pensions for our senior citizens. You can count on my active and enthusiastic support in this Christian undertaking.

Mr. Chairman, I thank you most sincerely for the very kind attention and the generous time accorded me this morning and my colleagues in behalf of the proposal.

The CHAIRMAN. Thank you, Congressman. We were very glad to hear you, sir.

Thank you for your appearance and contribution.

Representative BLATNIK. Thank you.

(The prepared statement follows:)

STATEMENT OF HON. JOHN A. BLATNIK, A MEMBER OF CONGRESS FROM THE EIGHTH DISTRICT OF MINNESOTA, ON A FEDERAL OLD AGE PENSION PROGRAM

Mr. Chairman and members of the Senate Finance Committee, I am grateful for this opportunity to appear before you, and to present my views on this broad problem of old age and disability security. This is a matter which has long claimed my attention, and I should mention that I am the author of the old age pension bill (H. R. 2135), a bill which is identical with H. R. 2136, introduced by my colleague, Mr. Angell, and with S. 2181, introduced by the distinguished Senator from Florida (Mr. Pepper), and others.

I wish to go on record in support of a comprehensive, adequate, and liberal old-age-pension system for all Americans who have reached retirement age, and to suggest that the provisions of H. R. 2135 be accepted as amendments to H. R. 6000 at this time. Such action would, in my opinion, be in the best interests of

the 11,000,000 persons who are now retired, the additional millions of Americans who will reach retirement age in the years to come, and the American people as a whole.

It is now a matter of general agreement that the most important problem in America is the economic insecurity and poverty confronting the fathers and mothers of America. This is a serious matter today, and it will become more pressing in the years ahead due to the simple fact that the national average age is moving steadily upward. In 1850, for example, only 2.7 percent of our people were over 65 years of age. Today some 7.3 percent or 10.6 million people are over 65 years. By 1980 there will be approximately 22,000,000 people over the present retirement age of 65.

The growing problem of old age security is therefore the result of a social contradiction—medical science has made it possible for an ever-increasing number of people to survive middle age, but our society has failed to solve the problem of their economic survival. Old age means that the individual is cut off from his normal source of income. Either old age brings physical inability to hold a job or it brings unemployment due to the hiring prejudices of most employers. Yet human wants continue as long as life itself, even though the means of satisfying these wants are denied to our senior citizens. Hence the solution to the problem resolves itself into methods of providing income to our old folks in large enough amounts to allow them to purchase the necessities of life during their declining years.

Today most Americans will concede that the only real solution to this problem is a liberal pension system financed and administered by the Federal Government. The passage of the Social Security Act of 1935 represented the acceptance of the thesis that the Federal Government is responsible for providing security against the economic consequences of old age, and House passage of H. R. 6000 reaffirms this principle of Federal responsibility. Everyone agrees that private insurance schemes and company pension plans are not the answer—only a Federal pension system can provide adequate security for our old folks.

Therefore, the issue before Congress today is what kind of a Federal pension program shall be adopted—that is, to determine the type of a pension system best suited to provide economic security for our old folks.

There can be no doubt that the Social Security Act was a major milestone on the road to old-age security. But it was only a step in the right direction. The inadequacies of the present Federal pension system are demonstrated by the following facts:

(1) There are 10.6 million persons in America 65 years of age and over, but only about 20 percent of them are either insured or receiving pensions under the Federal system. A total of 2.3 million persons receive pensions under the Social Security Act, and another 2 million receive old-age assistance. Even counting those receiving civil service and Railroad Retirement annuities, Army and veterans' pensions, and pensions and annuities from private firms and insurance plans, it is correct to state that less than 50 percent of all retired workers are drawing pensions from any source.

(2) No more than 60 percent of all workers presently employed are covered by the Social Security Act.

(3) Pension payments are wholly inadequate. The average monthly benefit from Federal old-age and survivors insurance is less than $26 per month—the national average for old-age assistance is a little over $36 per month.

In my own congressional district there are some 6,367 recipients of old-age assistance who today receive an average grant of $48.49 per month—a paltry amount wholly inadequate to live decently.

(4) Millions of our senior citizens are denied old-age assistance due to the discriminatory "pauper oaths" required by many States as a condition for eligibility. I regret to state that my own State of Minnesota has one of these outrageous and vicious old-age lien laws on its statute books, a fact I admit with shame.

(5) The present pension system can be characterized as a curious hodgepodge of Federal insurance, old age assistance, State pension plans and company schemes. It is an uncoordinated patchwork giving less than 50 percent coverage and little protection against the insecurities of old age.

Passage of H. R. 6000, a bill designed to extend the coverage of the Social Security Act to about 11 million more workers and to liberalize old-age pension and old-age assistance payments would result in some improvements, but it is not the final answer. Such amendments are good in a short-term sense, because they will bring some relief to our old people, but it is my firm conviction that any such attempt to improve on this present system will not provide adequate security for senior citizens.

I maintain that Congress should make a fresh approach on the problem of old-age security by writing the basic principles and provisions embodied in H. R. 2135 into the House-passed H. R. 6000. Such action would guarantee to every person reaching 60 years of age and every disabled person a liberal pension adequate to maintain a decent standard of living.

Simple logic indicates this course of action. It is now agreed that every person deserves a pension, as a matter of legal right, of at least $100 per month. The fact is that the Social Security Act, based upon the insurance principle, fails to give adequate coverage—even if its coverage were extended to all workers it would still fail to provide security to older workers or give younger workers in the lower income groups any real measure of security.

The facts indicate that no plan based on the insurance idea will provide old age security—the way to finance old age pensions is through direct taxation. There are those who disagree with the proposal to finance pensions through a 3-percent gross income tax. I am not going to take the committee's time to argue this question—this is an economic question to be decided by the economists. I do say that if the gross-income tax is inacceptable, it is the duty of the committee to find a better substitute plan of direct taxation to finance old-age pensions

There are also those who argue that "it costs too much" to provide decent pensions for Americans. In answer to this argument I cite two established facts. One is that annual assessments to finance security programs now in existence add up to over $15,000,000,000. The other is that the estimated cost of providing a pension of $100 per month to every person over 65 years of age, and to every disabled person, would be approximately $12,000,000,000. In short, we would get more security for less money by accepting the basic principles contained in H. R. 2135 and its companion bills.

I close my testimony by again urging the committee to take immediate action to work out a national old-age pension system to provide liberal and honorable pensions for the fathers and mothers of America. Our old folks are living in poverty and want on the pittances furnished them now by the Government, or are forced to depend on the charity of their children and other private groups unless they are among the fortunate few able to accumulate substantial savings during their working life. It is a crying shame that our senior citizens, after spending most of their lives laboring in behalf of society, have to live under these conditions in the most prosperous country in the world.

I maintain that it is the responsibility of Congress to take action now to provide just and honorable pensions for our senior citizens. You can count on my active and enthusiastic support in this Christian undertaking.

The CHAIRMAN. Congressman McGregor? You may sit where you are, if you wish.

STATEMENT OF HON. J. HARRY McGREGOR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Representative McGREGOR. Thank you, Mr. Chairman.

Mr. Chairman and gentlemen of the committee, my name is J. Harry McGregor. It is my privilege to represent the Seventeenth Congressional District of that great State of Ohio.

I think we all are pretty well agreed that the time has come to adopt a sound pension system for the citizens of this country. The present social-security system is not the answer. It was hurriedly conceived in a year of depression, 1935, and as a result it has been subjected to patchwork revision on several occasions. In addition to the major amendments of 1939, Congress on several occasions has seen fit to authorize additional Federal funds for the relief of the aged. H. R. 6000, which this committee is studying now, represents still another attempt to patch up legislation which is basically faulty.

Let me give you just one example to illustrate how far wrong the original social-security planners have turned out to be.

The architects of the present program fondly believed that title II, dealing with old-age insurance, would rapidly care for the needs of the

overwhelming majority of the aged, and that title I, which deals with old-age assistance, would gradually fall into disuse. The entire philosophy of the program was predicated on that assumption.

Precisely the opposite has come to pass. More than 2,600,000 aged persons today receive aid under title I, the charity old-age assistance program. But only about 1,500,000 receive benefits under title II, the old-age insurance program.

Moreover, those receiving insurance benefits receive only a little more than half as much as those who are drawing old-age assistance.

I cannot believe that the amendments suggested in H. R. 6000 will do much to remedy this situation. They propose increases in old-age insurance which would average about 70 percent. In effect, such increases would authorize insurance benefits averaging about $45—and that is the average assistance grant today. H. R. 6000 would do little more for the 2,600,000 on old-age assistance than provide them with another dollar or two—but virtually all of this money would be spent in the poorer States.

To put it another way, H. R. 6000 would simply perpetuate the present system. The money actually paid to the old people would remain at fantastically low levels.

I have said that we need a genuine pension system in America. The people have shown they are ready for it. Organized labor is talking in terms of $100-a-month pensions. Some 13,000 private pension plans are already in operation. And there are separate schemes for Government workers, railroad workers, policemen, firemen, school teachers, and so on. It is obviously a costly business to operate so many competing and conflicting pension plans. I believe the time has come to consolidate them.

The social-security program is not a pension program. It belongs in the same category with relief programs. Benefits are geared at ridiculously low levels. They are intended to be low. They are based, quite frankly, upon subsistence levels. But a subsistence payment and a pension are not the same thing, and the people have demonstrated that they want pensions.

That is why I am here today testify in favor of the Townsend plan for national insurance as set forth in H. R. 2135 and H. R. 2136. It is the only proposal I know of which treats pensions for the aged in much the same way that we think of wages for the employed.

The Townsend plan proposes to pay decent pensions—between $100 and $150 a month, to those who through no fault of their own are no longer able to earn their own living. This is surely not too much to ask. It is only humane to enable our elderly citizens to live in modest comfort. But it is good business, too, because people with adequate pensions will make good customers at the retail level, just as workers with good wages are welcomed by all merchants.

I am firmly convinced that the Townsend plan—either as it stands today or a modified form—will eventually be approved by Congress. Indeed, it is interesting to note that many principles of the Townsend plan have already been accepted, both in Government and privately. Some States, for example, have repealed their lien laws, and others have liberalized their residence requirements, thus approaching in some measure the Townsend argument that pensions ought to be paid as a right and not as a matter of charity.

At least one State, Colorado, now offers aid to persons beginning at age 63 instead of at age 65 thus coming a bit closer to the Townsend argument that pensions should begin at age 60.

Organized labor's demands for $100-a-month pensions gives strength to the Townsend demand that pensions ought to be large enough to represent a realistic approach to today's living costs.

The principle of variable grants, under which the Federal Government would provide proportionately higher grants-in-aid to the poorer States, and thus tend to make pensions the country-over more uniform, meets with the approval of those who favor the Townsend plan, for the Townsend people believe pensions should be the same for everybody.

The current attacks on the social security reserve fund, coupled with increasing demands that pensions be paid out of current revenue, is similar to the Townsend principle of pay-as-you-go.

All these developments indicate a growing acceptance of the basic program advocated in the Townsend plan. Gentlemen, I sincerely believe that sooner or later we must adopt a universal pay-as-you-go pension program covering everything and providing equal benefits to all as a matter of right. Why don't we do it now? Why wait until the country becomes embroiled in complete pension chaos?

I urge you, gentlemen, to give careful consideration to the Townsend plan. I urge you to report it out for general debate and a vote.

Thank you.

The CHAIRMAN. We are very glad to have you, Congressman, and we appreciate your appearance here.

Representative MCGREGOR. Thank you.

The CHAIRMAN. Has Congressman Hall reached the room?

You may have a seat, Congressman, and proceed with your statement.

STATEMENT OF HON. EDWIN ARTHUR HALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Representative HALL. Mr. Chairman, as one who has always expressed strong feeling in favor of increased benefits to our elder people, I am glad to appear before your committee to testify in favor of H. R. 2135 and H. R. 2136.

It is my hope that such a measure will be soon reported to the whole House in order that I may have the opportunity of voting for legislation I promised to fight unceasingly for when I first came to Congress in November 1939.

During these past 10 years, the subject of adequate pensions for the aged has become so prominent, I dare say it is now the foremost issue before the country and the Congress.

A decade ago, I can well recall, this subject was considered in hush-hush tones. It was taboo. Today, our citizens in all walks of life openly clamor for its early acceptance by Congress and more than that, look upon us to make it a reality.

In my opinion, citizens who reach the age of 60 are as much entitled to the benefits of our Constitution as those not as old. The right to life, liberty, and the pursuit of happiness must not end at any fixed point in life, so long as life sustains.

Unfortunately, 9 out of 10 persons find themselves without sufficient means to survive when they reach their later years. Often they cannot find employment, and are bereft of all income.

This presents a most forlorn picture and one which clearly points out how much the senior citizens of this great land are deprived of our Constitution's privileges, supposedly guaranteed to all people.

Of course, the argument is immediately raised whenever a voice speaks out for pensions, that our Social Security System is gradually being perfected and will take care of the retired.

To be perfectly frank, I do not feel that social security will ever be adequate the way it is now conceived. In the first place, only a segment of the people is covered. True, much progress has been made in blanketing more and more under it. But we are moving too slowly.

Referring back to the Bill of Rights, all our people should be able to expect equal basic treatment. The pursuit of happiness ought to be fair for all. You cannot limit fundamental American rights to a group here and there. Respectable retirement ought to be a fundamental privilege and it ought to be available to all.

A universal old-age pension plan geared to the basic economy is what the citizens of the United States should be able to look forward to.

Why should John L. Lewis crack the whip and gain $100 a month for a handful of coal miners when millions of the rest of us are left out in the cold?

Why should a comparative few who happen to be fortunate enough to work for Federal and State Governments enjoy comfortable retirement while the great masses have no income after they leave productive employment?

Why should other pressure groups descend upon Washington, calling vociferously for their followers to benefit from piece-meal pension programs while there are still a majority left unaided after their schemes are approved by Congress?

There is only one answer to all these questions. We owe it to America to devise a plan which assures every citizen the same opportunity to participate in a basic old-age-pension plan.

Since the gross income tax proposed in H. R. 2135 and H. R. 2136 would gear the benefits to our basic national economy, and since it would provide the beneficiaries with an income level which in times like the present would approximate the level that the new studies of the minimum wage have clearly shown to be necessary for decent living by individuals throughout this nation. Therefore, I believe these bills embody just such a plan. I am urging the adoption of this proposal.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Congressman.

Is any other Member of the House or Senate present who would like to be heard on H. R. 6000?

Representative BLATNIK. May I inquire, Mr. Chairman: Has Senator Pepper been heard?

The CHAIRMAN. Yes, sir, Senator Pepper was heard yesterday, along with Dr Townsend and other representatives of the organization. Senator Smith from Maine, Senator Taylor, of Idaho, and Congressman Angell appeared earlier this morning. On account of

illness in the family, Congressman Angell was obliged to leave, but he did appear and submitted a brief and a preliminary statement. Senator Elmer Thomas was unable to be here, on account, of illness, but he will submit a brief for the record.

Are there no other witnesses who wish to be heard at this time?

The CHAIRMAN. Since there appears to be no other witnesses present, the committee will recess until 10 o'clock Monday.

(Thereupon, at 11:07 a. m., the committee recessed until Monday, February 6, 1950, at 10 a. m.)

SOCIAL SECURITY REVISION

MONDAY, FEBRUARY 6, 1950

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

The committee met at 10 a. m., pursuant to recess, in Room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George, Byrd, Myers.

Also present: Senator Williams; Mrs. Elizabeth B. Springer, acting chief clerk; and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. We will come to order.

Mrs. Patterson, I believe you are the first witness this morning. You are the editor of the publication of the Life Insurance Field Force of America?

STATEMENT OF MRS. NOLA E. PATTERSON, EDITOR, LIFE INSURANCE REVEILLE, OFFICIAL PUBLICATION OF LIFE INSURANCE FIELD FORCE OF AMERICA, ATLANTA, GA.

Mrs. PATTERSON. I am the editor of the Life Insurance Reveille, the official publication of the Life Insurance Field Force of America.

The CHAIRMAN. And you are appearing on H. R. 6000?

Mrs. PATTERSON. Yes, sir.

The CHAIRMAN. On particular provisions in the bill?

Mrs. PATTERSON. Yes, sir; the definitions of the word "employee."

The CHAIRMAN. The committee will be very glad to have your statement. I can assure you that, thought a number of the members of the committee are not present this morning, they will undoubtedly read with much interest your statement as recorded. They can, of course, read so much more rapidly than they can hear, and consequently, with the pressure under which we are working, it is very difficult to have very many members of the commitee come for the oral hearings. They may drift in, however, during the course of your statement. Anyway, we will be very, very glad to hear from you.

Mrs. PATTERSON. Thank you, sir.

In behalf of the members of the Life Insurance Field Force of America and of life-insurance salesmen who are still inarticulate, I wish to thank you for the privilege of appearing before your important committee.

The Life Insurance Field Force of America, a newly formed group, is the only organization, on an industry-wide basis, of "ordinary"—as contrasted with "industrial" or "weekly premium"—life-insurance

salesmen. Ordinary life-insurance salesmen are usually compensated solely by commission.

I am editor of the Life Insurance Reveille, the official publication of the Life Insurance Field Force of America.

I am here to discuss that segment of H. R. 6000, which refers to the coverage of our members and of other life-insurance salesmen who are compensated solely by commission. I shall explain what that part of the bill should be passed as written and if you wish to verify the truth of my statements, I am prepared to furnish documentary evidence upon request.

H. R. 6000 contains four general definitions of the term "employee." Although our salesmen are included under three of the four definitions, only one of them will assure their coverage.

The first definition which refers to "any officer of a corporation" does not apply to our group.

The second definition, which refers to "any individual who, under the usual common law rules * * * has the status of an employee" does, and has always, included our salesmen but, due to clever maneuvering and misrepresentation on the part of employers, our salesmen have been deprived of their rights under that definition for 13 years.

The third definition covers any individual who performs services for remuneration for any person "as a full-time life insurance salesman." You might think that would take care of these people, but no. The company lawyers even now are ready with the answer to that definition. At the annual meeting of the Life Insurance Association of America—the association of life insurance company presidents—held in New York December 15, 1949, Mr. T. A. Bradshaw, vice president and general counsel of the Provident Mutual Life Insurance Co., reportedly asked this question when discussing H. R. 6000: "One technical point is, should you write your agency contracts to distinguish between full-time agents and others?" With our salesmen working on commission, finding business when they can, being unable to punch a clock in their work, the "full-time" status could be riddled easily by the home-office lawyers who are so expert in twisting and confusing the facts.

The fourth definition which in effect repeals Public Law 642 is our only hope. This restores in general the definition which was handed down by the Supreme Court of the United States in the Silk and Greyvan cases. It was this definition which definitely called for the payment of social security taxes for our salesmen, which payment was further avoided by passage of the Gearhart bill over the President's veto—Public Law 642.

I shall present in five parts the case of "ordinary" life-insurance salesmen.

The first will deal with company opposition to the coverage of our group by means of misrepresentation and sharp business practices.

The second will relate the connivance of the so-called National Association of Life Underwriters, particularly here in Washington.

The third will recall to your attention the expressed desires of these salesmen and an admitted attempt to counteract the truth.

The fourth will review the efforts of our salesmen to secure their coverage and how their success was turned into defeat at the request

of "insurance men"—but not the insurance men whose coverage was affected.

The fifth will describe the present state of confusion which cries for clarification by the prompt passage of H. R. 6000.

1. Company opposition: Commission-compensated life-insurance salesmen have been largely dispossessed of their social security coverage by powerful interests since January 1, 1937.

Upon the advent of social-security legislation, the companies invented a myth in regard to the employment status of commission-compensated life-insurance salesmen. These people who formerly had been regarded as employees suddenly became independent contractors or self-employed persons according to company propaganda. The advantage—yea, the distinction—of being independent contractors was pictured in glowing terms to the field force. Life-insurance companies made biased and incomplete presentations in regard to the employment status of their salesmen which persuaded the Treasury Department against collection of social-security taxes for these people.

I quote from such a presentation made by one company in regard to one of its salesmen:

> There was no obligation on his part to devote his full time or any specified part of his time to the business of the plaintiff. He did not sell insurance exclusively for the plaintiff. His compensation was determined solely by commissions. No specific territory was assigned to him. He was not given any instructions relating to the details of his work, or to the manner of his solicitations. He was free to use his own discretion with respect to the persons to be solicited, the time and place of solicitation, the extent to which he desired to travel in the course of his solicitations, the means of travel and the type and amount of insurance or annuity he attempted to sell. He was not subject to the control or direction of the plaintiff as to the means and methods of soliciting the purchase of insurance policies or annuity contracts. Friedman therefore was not an employee * * *.

Does an employee become an independent contractor if he works more or less than a specified number of hours? Or if he is paid according to the amount of goods sold rather than by the hour? Or if he works outside of an office? Or if he does a little work for someone outside of his principal employer?

With respect to this last question, I quote from the compensation contract of this man Friedman:

> IX. The agent agrees not to submit to any other company proposals for any forms of insurance policies or annuity contracts unless authorized by the society—

The "society" being his company.

How independent is that?

In regard to the company's statement that "he was not given any instructions relating to the details of his work, or to the manner of his solicitation," Mr. Friedman—or any other life-insurance salesman—could not escape instructions relating to the details of his work. Every salesman is given a manual of instructions setting forth in great detail the rules and regulations by which his work must be performed.

Freedom as to the persons to be solicited, the time and place of solicitation, the extent to which a salesman travels, the means of travel, and the type and amount of insurance or annuity he attempts to sell is inherent in such business. The company's contention is comparable to saying that a stenographer is an independent contractor because

she is not instructed as to which pencil to use or what notebook to write in or what chair to sit on when taking dictation.

Life-insurance salesmen must go where the business is to be found and, if they do not find it, they get no pay for their efforts.

By contrast, let us examine the evidence of employee status which was submitted in connection with three different companies by a salesman. In each of these cases the pre-social-security compensation contracts prevailed. I shall explain shortly how these differ from later contracts which were offered by the companies. Here is the evidence:

Manuals of instructions were produced which demonstrated conclusively that the companies control how the work is to be done. All business transactions by the salesman must be performed according to the prescribed rules, on forms furnished by the companies, and are subject to final approval or rejection by the companies.

Compensation contracts generally require the salesman to offer his business to his own company. The company—or manager or general agent—retains the right to alter commission schedules, to terminate the contract with or without cause even though such termination causes the salesman to lose substantial sums of money in the form of forfeited future commissions on business which he had sold in the past. This forfeiture of commissions is written into the contracts by the companies and produces huge financial windfalls for them in event of any termination of contract, either by the company or by the salesman.

Life-insurance salesmen are required at times to make periodic reports as to the number of hours spent in the field, the number of calls made, interviews held, and the amount of insurance sold. They are given sales courses and supervisory assistance, production quotas, convention requirements, and convention awards. Sales meetings are held for them, contests are staged among them, and prizes given to the winners.

In some States—in most States, I believe, sir—the company secures, pays for, and can cancel the license of the salesman to represent that company and can thus exclude him from his own business unless another company will license him.

The company furnishes office and desk space, telephone, stationery, sales material, business cards, and stenographic service, or contributes to these expenses if the salesman operates away from the agency office.

Companies regularly offer to their policy owners and to the public the service of their salesmen "without obligation," therefore free of charge. The salesmen are required to service policies which were sold by other salesmen without corresponding compensation. Imagine offering and using the services of physicians or lawyers in this manner if they were not employed by the companies.

Insurance salesmen are usually required to furnish a fidelity bond. Drawing accounts are frequently extended to them, thereby increasing management control over them.

Retirement plans and group insurance to which the companies contribute are often provided for the commission-compensated life-insurance salesmen although companies claim that these salesmen are not employed by them. The salesmen can be cut off from their retirement benefits 1 month before qualifying for them by cancellation of the compensation contracts by the companies.

Wages are paid to the salesmen by the companies, general agents, or managers, not by the policy owners.

(Exhibit A, Reveille, June 1949, is as follows:)

SOCIAL SECURITY WAGE CREDITS—FOR COMMISSION-COMPENSATED AGENTS—HOW TO ESTABLISH UNDER GEARHART LAW

Case of Nola E. Patterson, Claimant, Wage Earner, Case No. 850-6, Acct. No. 254-42-2621, Wage Discrepancy.

"Enclosed is a copy of my decision in your case which is that you were an employee of the National Life Insurance Company (Vt.) from January 2, 1930, to April 6, 1938; that you were an employee of the State Mutual Life Assurance Company of Worcester from April 1938 until March 1946; and that you were an employee of the Reliance Life Insurance Company of Pittsburgh from and after March 1946. It is my further decision that all payments of remuneration received by you after 1941 from any and all of the companies are wages creditable to your wage record." Mr. Peter J. Hoegen, Referee, Federal Security Agency, Social Security Administration, April 8, 1949. (Eight page decision attached.)

The compensation in each of the employments was solely by commission and none of the above-mentioned companies had fulfilled its tax-paying obligation to the Government. It is important to note that it is the responsibility of the Employer to pay its own share of the Social Security tax and also to withhold and pay the employee's share.

Commission compensated life-insurance agents do not desire free Social Security coverage. They wish to pay their proper share of taxes and cannot appreciate the failure of their employers to discharge their duties in this direction.

Wage credits which were established prior to the enactment of Public Law 642 by commission compensated agents whose companies refuse to fulfill their tax-paying obligations, must be reestablished under the restrictive criteria set forth in the new law which specifies that the agent must be an employee under the usual common-law rules. Commission compensated agents who had not previously established wage credits and whose companies are not paying their Social Security taxes, must follow the same procedure. This also applies to general agents who are compensated solely by commission.

Survivors of deceased agents can establish their Social Security claims in the same way. Witnesses may appear in behalf of the wage earner or his survivors.

Go to your nearest Social Security Field Office and complete Form AC-501, "Request for Hearing" to establish employee status. In due time you will receive a notice setting the time and place for the hearing. In the meantime, compile your evidence to prove your employee status. Listed below are items of evidence used in our successful effort to secure a favorable decision:

1. Show that the agent is governed by numerous rules and regulations which control how the work is to be done. Produce rate books and manuals which contain rules and regulations and point out that all business transactions must be completed accordingly and are then subject to final approval, rejection, or amendment by the company.

"Public Law 642 provides that in determining the employer-employee relationship the usual common law rules should be applied:" says the Referee's decision. "Generally such relationship exists when the person for whom services are performed has the right to control and direct the individual who performs the services, not only as the result to be accomplished by the work but as to details and means by which that result is accomplished. That is, an employee is subject to the will and control of the employer not only as to what shall be done but how it shall be done."

2. Show any and all compensation contracts under which you were employed. Point out such clauses which indicate that the agent must devote efforts to procuring applications for the company, must be governed by certain rules and regulations and make periodic reports which may be required from time to time. (Clauses planted in the contract disavowing employer-employee relations do not preclude an agent from employee status.)

Point out clauses which give the company, general agent or manager the right to alter the commission schedules. Furnish such amendments which may have been made thereunder.

Point out clauses which give the company, general agent or manager the right to terminate the contract, usually without cause, and provision for forfeiture of commission otherwise payable upon business previously sold by the agent.

"The right to discharge is also an important factor indicating that the person possessing that right is an employer" says the Referee.

3. Tell of reports which may have been required at times and show forms used, if possible, in regard to hours spent in the field, number of calls, interviews, sales, volume, and future prospects.

4. Testify concerning sales courses provided by the company, supervisory assistance, production quotas, sales meetings, contests, prizes, convention requirements and convention awards in the form of expenses. Cite production clubs, pre-grace notices to the agent in regard to premiums due by policyholders. Show illustrative material in regard to all matters when possible.

5. Point out that the company secures, pays for, and can cancel the license of the agent to represent that company (show sample license) and can exclude the agent from his own business by cancellation of the license unless another company will license him.

6. Explain that the company furnishes office and desk space, telephone, stationery, business cards, stenographic service, etc.

"Other features characteristic of an employer, but not necessarily present in every case, are the furnishing of tools and the furnishing of a place to work to the individual who performs the service" according to the Referee.

7. Show sales material in which the company offers to its policyholders and to the public the services of its agents "without obligation," therefore free of charge, and without corresponding compensation by the company.

8. Report if the company, general agent or manager does or will advance money to the agent in the form of a drawing account, thereby increasing control over the agent; requires him to service policies which were sold by other soliciting agents without corresponding compensation; and requires him to furnish a Fidelity bond.

9. Tell of the retirement plan provided for the agent by the company to which the company contributes.

10. Point out that "wages" are paid to the agent by the company, general agent or manager, not by the policyholders.

11. Cite Phoenix Mutual decision (Phoenix Mutual Life Insurance Company v. NLRB, 157 Fed. (2d) 983, CCA(7), May 7, 1948, certiorari denied, October 18, 1948.)

12. Cite case of Nola E. Patterson, Claimant, Wage Earner, Case No. 850-6, Acct. No. 254-42-2021, Wage Discrepancy, Federal Security Agency, Social Security Administration, Office of Appeals Council, Referee's Decision of April 8, 1949.

Mrs. PATTERSON. You can see that the myth of "independent contractor" fades quickly in the light of all the facts.

Life-insurance companies moved stealthily and largely in unison to eliminate insofar as possible all evidence of the employment status of their commission-compensated salesmen. New compensation contracts were substituted for old ones. In the new ones the words "employee" and "employment" were carefully removed and a clause inserted which ran similar to this: "Nothing contained herein shall be cotnstrued to create the relationship of employer and employee." Many of the new contracts also imposed specific financial penalties upon the salesman in the event he should ever become an employee. I know of one that includes an automatic cancellation of the contract with resultant confiscation of future commissions if the salesman should ever become an employee.

Contracts containing such coercive restrictions were not openly and honestly consummated. They were substituted for old contracts and given without choice to newly recruited field men without informing the victims of the fact or the purpose of the changes. For example, I quote from a letter received from an agent:

Thinking about these agency contracts has caused a small amount of daylight to creep in as to why the New York Life Insurance Co. developed the new contract to replace existing contracts for agents.

This was a year or two ago and most agents including myself fell for the sales talk and accepted the new contract that was represented as being better and forfeited the old contract.

I had a feeling that something under cover was taking place, but I could not discover it. It now appears that the company wanted primarily to have express provision in the contract that no employer-employee relationship exists between the agent and the company and to replace certain language in this connection. This express provision runs all through my new contract whereas the language of the old contract in itself would establish the employer-employee relationship.

Here is a quotation from a letter written by another life-insurance salesman in regard to the substitution of new compensation contracts for old ones:

The various groups were all brought into one room, the door was closed, and then the contract was described to them hurriedly in glowing outline by the manager. He read to us a descriptive booklet * * * He did not read the contract itself to us * * * He told us unequivocally that under the new contract it was not possible for the agent to be fired.

Incidentally, that contract has a 7-day termination clause in it, and without cause.

He said, "You don't have to take it, but you are a fool if you don't." The sharpest kind of sheep psychology was used and all were asked to sign the contract on the spot, with no opportunity to study it. Approximately three-quarters of them did just that. The small percentage wise enough to refuse to be taken in by this chicanery have been hounded relentlessly ever since. District managers were told in effect to sign or quit. Since I understand this technique was used in all agencies, the scheme was obviously worked out and ordered from the home office. To the extent that they had no choice the agency managers were not to blame.

Company propaganda concerning old-age and survivors insurance referred only to the old-age benefits as a rule in an apparent effort to divert attention from the fact that the companies were opposing the best interests of widows and children, the very people they were in business to protect. The companies reiterated imaginary disadvantages of social-security coverage and minimized, or ignored, the advantages.

II. Opposition by the National Association of Life Underwriters: In their shameful scheme to deprive the field force of its social-security protection, the companies were aided and abetted in every move by the so-called National Association of Life Underwriters, a company dominated and controlled organization which has masqueraded for years as an organization of life-insurance salesmen. This organization admits to active membership the management personnel of the field, and to associate membership any company official who cares to join, up to and including company presidents. The organization has lobbied in Washington for years pretending to represent the life-insurance salesmen but actually representing, and controlled by, the companies.

Company spokesmen holding high position in the so-called National Association of Life Underwriters published in its official publication, the Life Association News of August 1947, page 1076, a statement which an association representative made to the House Ways and Means Comittee in Washington. In the statement we find this:

This association is entirely independent of the life-insurance companies. * * *

That is completely false.

Company domination of the so-called National Association of Life Underwriters was shown in dramatic fashion when charges of unfair labor practice were filed with the National Labor Relations Board against 183 life-insurance companies and various company organizations.

(Exhibit B, copy of charges, follows:)

EXHIBIT B

UNITED STATES OF AMERICA NATIONAL LABOR RELATIONS BOARD

CHARGE AGAINST EMPLOYER

1. Pursuant to section 10 (b) of the National Labor Relations Act, the undersigned hereby charges that [name of employer] at [address of establishment—street, city, State] employing unknown number workers in insurance industry, has engaged in and is engaging in unfair labor practices within the meaning of section 8 (a) subsections (1) and (2) of said act, in that:

2. In conjunction with other employers in the industry, it has dominated, interfered with the formation or administration of, and contributed financial and other support to National Association of Life Underwriters and its affiliated or subsidiaries State and local organizations which jointly and severally constitute labor organizations within the meaning of section 2 (5) of the said act.

By the above and by other acts, it, by its officers, employees, and agents—including The Life Insurance Association of America; and its predecessor Association of Life Insurance Presidents; American Life Convention; and Life Insurance Agency Management Association and its predecessor, Life Insurance Sales Research Bureau—has interfered with, restrained and coerced its employees in the exercise of their rights to self-organization as guaranteed in section 7 of the said act.

The undersigned further charges that said unfair labor practices are unfair labor practices affecting commerce within the meaning of said act.

3. (Pars. 3, 4, and 5 apply only if the charge is filed by a labor organization.) The labor organization filing this charge, hereinafter called the union, has complied with section 9 (f) (A), 9 (f) (B) (1), and 9 (g) of said act as amended, as evidenced by letter of compliance issued by the Department of Labor and bearing code number ——. The financial data filed with the Secretary of Labor is for the fiscal year ending ——. A certificate has been filed with the National Labor Relations Board in accordance with section 9 (f) (B) (2) stating the method employed by the union in furnishing to all its members copies of the financial data required to be filed with the Secretary of Labor.

4. Each of the officers of the union has executed a non-Communist affidavit as required by section 9 (h) of the act.

5. Upon information and belief, the national or international labor organization of which this organization is an affiliate or constituent unit has also complied with section 9 (f), (g), and (h) of the act.

6. Nola Patterson, P. O. Box 1148, Atlanta (1), Ga., Wa 4957; Ve 8078.

7. [Full name of national or international labor organization of which it is an affiliate or constituent unit—address, street, city, State, telephone number.]

NOLA PATTERSON, *An Individual.*

Subscribed and sworn to before me this — day of —— 1948, at Atlanta, Ga., as true to the best of deponent's knowledge, information and belief.

———, ———,

Board Agent or Notary Public.

Mrs. PATTERSON. Although no charges were filed against the so-called National Association of Life Underwriters, company spokesmen in control raided its treasury for $25,000 to employ counsel who expertly deprived the life-insurance salesmen of what was supposed to be their own organization in order to retain the company domination. The so-called National Association of Life Underwriters signed settlement agreements together with 138 life-insurance companies and the National Labor Relations Board in which the association promised to stay out of the labor field in the future. These agreements were added July 27, 1940.

I am leaving a copy of that statement and the names of the companies that were signatory.

The CHAIRMAN. Do you wish it to go into the record?

MRS. PATTERSON. Yes, Mr. Chairman.
The CHAIRMAN. It may go in at this point in your statement.
(The material referred to is as follows:)

[From Reveille, September 1949]

UNITED STATES OF AMERICA, NAT'L LABOR RELATIONS BOARD, TENTH REGION

In the Matter of ———, *Case No.* ——

SETTLEMENT AGREEMENT

The undersigned Company (herein called the Company), The National Association of Life Underwriters, and the undersigned Regional Director for the National Labor Relations Board (herein called the Regional Director and the Board, respectively), in settlement of the above matter hereby agree as follows:

The Company will post immediately in conspicuous places in each of its agency offices and branch offices, and maintain for a period of at least sixty (60) consecutive days from the date of posting a copy of this agreement and notice to its agents; it being understood that the execution of this agreement and the posting thereof shall not constitute any admission that the Company involved or the National Association of Life Underwriters in any manner has engaged in a violation of the National Labor Relations Act, as amended, or that the National Association of Life Underwriters is in fact or has functioned as a labor organization, or that any independent-contractor agents of the Company are employees.

NOTICE TO AGENTS

In order to effectuate the policies of the National Labor Relations Act, the Company hereby notifies its agents that:

The Company will not recognize The National Association of Life Underwriters as the representative of any of its agents for the purpose of dealing with it concerning grievances, labor disputes, wages, rates of pay, hours of employment or other conditions of employment, and the Company will not recognize The National Association of Life Underwriters or any successor thereto for any of the above purposes, unless and until The National Association of Life Underwriters, or any successor thereto, shall be certified by the Board as the bargaining representative of its agents.

Pursuant to the provisions of the National Labor Relations Act, as amended, the Company will not dominate or interfere with the formation or administration of any labor organization of any of its agents who are employees within the meaning of said Act, or contribute financial or other support to any such organization; provided that nothing herein shall prevent The National Association of Life Underwriters from functioning as a professional organization nor prevent the Company from contributing financial or other support to the activities of The National Association of Life Underwriters in the field of a professional organization. The National Association of Life Underwriters agrees that at no time will it engage in any of the activities reserved for and followed by labor organizations, as such, which are characteristic of the activities of labor organizations within the meaning of existing law as defined by the National Labor Relations Board or by the Courts of the United States.

Pursuant to the provisions of the National Labor Relations Act, as amended, the Company will not in any manner interfere with, restrain, or coerce any of its agents who are employees within the meaning of said Act, in the exercise of their right to self-organization, to form labor organizations, to join or assist labor organizations, to bargain collectively through representatives of their own choosing, and to engage in concerted activities for the purpose of collective bargaining or other mutual aid or protection. All such agents have the right to refrain from any or all of such activities. All such agents are free to become or remain members of any labor organization.

This notice must remain posted for 60 days from the date hereof, and must not be altered, defaced, or covered by any other material.

Refusal to issue complaint.—Upon the basis of this Agreement, the Regional Director shall decline to issue a Complaint herein. A review of such action may be obtained pursuant to Section 203.10 of the Rules and Regulations of the Board if a request for same is filed within ten (10) days from the date hereof. This

Agreement is contingent upon the General Counsel sustaining the Regional Director's action in the event of a review.

Performance.—Performance by the Company with the terms and provisions of this Agreement shall commence immediately upon receipt by the Company of advice that no review has been requested or that the General Counsel has sustained the Regional Director. The Company will notify the Regional Director in writing within five (5) days, and again after sixty (60) days, from the receipt of such advice what steps the Company has taken to comply herewith.

THE NATIONAL ASSOCIATION OF LIFE UNDERWRITERS.

By ----------
(Its Attorney)

(Company)

By ----------
(Name and Title)

Regional Director, 10th Region

NATIONAL LABOR RELATIONS BOARD.

Date executed ----------

SIGNATORY COMPANIES

The 138 life-insurance companies which signed the settlement agreements drawn up by the National Labor Relations Board and in whose agency and branch offices copies of the settlement agreement must be posted for 60 consecutive days are:

Alliance Life Insurance Co.
American Hospital and Life Insurance Co.
American Mutual Life Insurance Co.
American National Insurance Co.
American National Insurance Co.
American Reserve Life Insurance Co.
American United Life Insurance Co.
Atlantic Life Insurance Co.
The Baltimore Life Insurance Co.
Bankers Life Co. of Iowa
Bankers Life Insurance Co. of Nebraska
Bankers Mutual Life Insurance Co.
Bankers National Life Insurance Co.
Beneficial Life Insurance Co.
Berkshire Life Insurance Co.
Boston Mutual Life Insurance Co.
Business Men's Assurance Co. of America
California-Western States Life Insurance Co.
The Canada Life Assurance Co.
The Capitol Life Insurance Co. of Colorado
Carolina Life Insurance Co.
Central Life Assurance Society (Mutual) of Iowa
The Colonial Life Insurance Co. of America
The Columbian National Life Insurance Co.
The Columbus Mutual Life Insurance Co.
Commonwealth Life Insurance Co. of Kentucky
Confederation Life Association
Connecticut General Life Insurance Co.
The Connecticut Mutual Life Insurance Co.
Continental American Life Insurance Co.
Continental Assurance Co.
The Crown Life Insurance Co.
The Dominion Life Assurance Co.
Durham Life Insurance Co.
Empire State Mutual Life Insurance Co.
The Equitable Life Assurance Society of the United States
Equitable Life Insurance Co. of D. C.
Equitable Life Insurance Co. of Iowa
The Farmers & Bankers Life Insurance Co.
Farmers and Traders Life Insurance Co.
Federal Life Insurance Co. of Illinois
The Fidelity Mutual Life Insurance Co.
Fidelity Union Life Insurance Co.
General American Life Insurance Co.
Girard Life Insurance Co.
Great American Reserve Insurance Co.
The Great-West Life Assurance Co.
Guarantee Mutual Life Co.
The Guardian Life Insurance Co. of America
Gulf Life Insurance Co.
Home Beneficial Life Insurance Co., Inc.
Home Life Insurance Co. of New York
The Home Life Insurance Co. of America
Home State Life Insurance Co.
Indianapolis Life Insurance Co.
Interstate Life and Accident Co.
Jefferson National Life Insurance Co.
Jefferson Standard Life Insurance Co.

SIGNATORY COMPANIES—continued

John Hancock Mutual Life Insurance Co.
Kansas City Life Insurance Co.
Kentucky Central Life & Accident Insurance Co.
Kentucky Home Mutual Life Insurance Co.
The Lafayette Life Insurance Co.
Lamar Life Insurance Co.
Liberty Life Insurance Co.
Liberty National Life Insurance Co.
Life and Casualty Insurance Co. of Tennessee
Life Insurance Co. of Georgia
The Life Insurance Co. of Virginia
The Lincoln National Life Insurance Co.
Loyal Protective Life Insurance Co.
The Manhattan Life Insurance Co.
The Manufacturers Life Insurance Co.
Massachusetts Mutual Life Insurance Co.
Metropolitan Life Insurance Co.
The Midland Mutual Life Insurance Co.
The Midwest Life Insurance Co. of Nebraska.
The Minnesota Mutual Life Insurance Co.
Modern Life Insurance Co.
Monarch Life Insurance Co. of Massachusetts.
Monumental Life Insurance Co.
The Mutual Benefit Life Insurance Co. of New Jersey.
The Mutual Life Insurance Co. of New York.
Mutual Savings Life Insurance Co. of Missouri.
Mutual Trust Life Insurance Co.
National Equity Life Insurance Co.
National Guardian Life Insurance Co.
National Life Insurance Co. of Vermont.
New England Mutual Life Insurance Co.
New World Life Insurance Co.
New York Life Insurance Co.
North American Accident Insurance Co. of Illinois.
North American Life Insurance Co. of Chicago.
North American Reassurance Co.
Northwestern Life Insurance Co. of Seattle, Wash.
The Northwestern Mutual Life Insurance Co.
Northwestern National Life Insurance Co.
Occidental Life Insurance Co. of North Carolina.
Ohio National Life Insurance Co.
Ohio State Life Insurance Co.
Old Line Life Insurance Co. of America.
Pacific Mutual Life Insurance Co.
Pan-American Life Insurance Co.
The Paul Revere Life Insurance Co.
Peninsular Life Insurance Co.
The Penn Mutual Life Insurance Co.
Pennsylvania Mutual Life Insurance Co.
Phoenix Mutual Life Insurance Co.
Pilot Life Insurance Co.
Provident Life and Accident Insurance Co.
Provident Life Insurance Co. of North Dakota.
Provident Mutual Life Insurance Co.
The Prudential Insurance Co. of America.
Puritan Life Insurance Co.
Reliance Life Insurance Co. of Pittsburgh.
Republic National Life Insurance Co.
Reserve Loan Life Insurance Co. of Texas.
Scranton Life Insurance Co.
Security Life and Accident Co. of Colorado.
Security Mutual Life Insurance Co. of New York.
The Service Life Insurance Co.
Shenandoah Life Insurance Co., Inc.
State Capital Life Insurance Co.
The State Life Insurance Co. of Indiana.
State Mutual Life Assurance Co. of Worcester.
Sun Life Assurance Co. of Canada.
Sun Life Insurance Co. of America.
Texas Prudential Insurance Co.
The Travelers Insurance Co.
The Union Central Life Insurance Co.
Union Life Insurance Co. of Arkansas.
Union Mutual Life Insurance Co.
United Benefit Life Insurance Co.
United Life and Accident Insurance Co.
The United States Life Insurance Co. of New York.
The Volunteer State Life Insurance Co.
Western Life Insurance Co. of Montana.
The Wisconsin Life Insurance Co.
Wisconsin National Life Insurance Co.

Mrs. PATTERSON. Company spokesmen who were in control of the so-called National Association of Life Underwriters openly boasted of talking personally to various Members of Congress when the vicious Gearhart law was being considered for passage. After we learned and published the fact that these gentlemen were not registered with

the United States Government as lobbyists, two of them quickly registered and a third promptly resigned his $25,000 position in the so-called National Association of Life Underwriters. It was several days before he could report to what greater position he was to be promoted by one of the giant companies.

You will find no record, I am sure, where this company organization, masquerading in Washington, as a representative of life-insurance salesmen, ever attempted to secure social-security coverage for ordinary life-insurance salesmen on a tax-sharing basis as employees. The aim and effort of the companies and the so-called National Association of Life Underwriters were to unload the entire tax burden upon the salesmen if, indeed, the field men were ever successful in securing coverage.

Although life-insurance salesmen are included into coverage in H. R. 6000 as employees, by name and so labeled, here is how the president of the so-called National Association of Life Underwriters—a general manager of the agency in his company's home office building—is quoted in regard to it:

> We are pleased, of course, to report to you that, without disturbing—

get this—

> without disturbing your professional status or without disturbing your status as an independent contractor, agents operating selling ordinary insurance on a commission contract will be included in the new bill, they to pay half the tax, the principal company which they serve, if they serve more than one, to pay the other half of the tax.

I wrote this gentleman to ask if he had been correctly quoted. He offered no correction.

We have no objection to the lobbying activities of these men so long as it is understood that they are lobbying for the companies. We do object to their masquerade as representatives of the life-insurance field force.

III. Survey among salesmen regarding desire for coverage: After the initial active campaign by the companies and the so-called National Association of Life Underwriters to the effect that employee status and social-security coverage were undesirable and wholly shameful—except for company officials, et cetera—management personnel apparently was taken in by its own eloquence and developed false convictions as to the success of its wicked strategy. Salesmen had dared not to speak out in their own behalf lest the cancellation clause in their compensation contracts be invoked with attendant forfeiture of commissions which would work great hardship upon their families.

The Life Agency Managers of Chicago were emboldened to make a survey among Illinois members of the so-called Underwriters' Association in regard to their desire for social security coverage. The tabulation showed an overwhelming vote in favor of inclusion into coverage. A Chicago manager who is a national trustee of the so-called National Association of Life Underwriters told me personally that they could not believe their eyes when they read the totals.

Evidently in an effort to secure a different result, another survey was made among the members of the national council of the so-called National Association of Life Underwriters, which council is heavily loaded with management personnel. The result showed little variation from the Illinois survey. However, still another effort was made.

The executive vice president of the so-called National Association of Life Underwriters, submitted a questionnaire to members in Maine, New Hampshire, Connecticut, Rhode Island, and New York, but the result there was also in favor of coverage. The over-all compilation of votes cast in these three surveys was 81 percent in favor of inclusion into social-security coverage. Incidentally, this is eloquent testimony for the value of the secret ballot.

(Exhibit D, copy of hearing by Senate Finance Committee on House Joint Resolution 296. Copy of report of surveys on pages 91 to 98, inclusive, is filed with the clerk.)

Mrs. PATTERSON. No further surveys were attempted but the company spokesman in control of the association moved to counteract the telltale results. Boldly, they gave out to the insurance press the statement that life-insurance salesmen desired to be included into social-security coverage "but only if the act is extended to include the self-employed." This carried the implication that the field men considered themselves to be self-employed and that they wished to be included as such which meant that they would have to pay the entire tax.

An official of the so-called National Association of Life Underwriters who gave out this statement to the press was questioned in regard to the "but only if * * *" restriction. He was forced to admit that the agents expressed no such reservation and that it was added by the association officials.

IV. Efforts of life-insurance salesmen to secure coverage: In September 1940, Mr. Louie A. Shirley, of Macon, Ga., started a test case requesting a coverage determination in regard to his employment as a life-insurance salesman paid solely by commission. A favorable determination was handed down in December 1945. This decision opened the door for life-insurance salesmen to make individual requests for coverage determinations. Many did so and, so far as we know, all secured favorable decisions. Survivors of deceased insurance salesmen applied for and were granted their benefits under the Old-Age and Survivors Insurance Act.

These facts were publicized by our group and by the Atlanta Association of Life Underwriters whose president at the time was a salesman. However, life-insurance salesmen were discouraged by the companies and the so-called National Association of Life Underwriters from making applications for their wage credits. Many widows, children, and aged lost their protection as a result.

Fighting against powerful odds to persuade and convince these people that they could ask for and probably establish their wage credits, we were overjoyed when the Supreme Court of the United States handed down its famous decisions in the Silk and Greyvan cases in which the word "employee" was defined for the purpose of the Social Security Act. There appeared to be no obstacle then to the inclusion of these field men who had been denied their coverage for so long. Even the companies and the so-called National Association of Life Underwriters admitted that the Supreme Court definition served to clarify and establish the eligibility of our field men for coverage as employees on a tax-sharing basis. Regulations were being prepared by the Treasury Department and it was reported that life-insurance companies were setting up their books preparatory to the collection of the social-security taxes.

Suddenly, there were newspaper reports that Congressman Knutson was stirring up agitation with a view to restraining the Treasury Department from collecting the taxes. He was quoted in the newspapers as saying that he had received protests from insurance companies that Government bureaus were extending the Social Security Act contrary to the intention of Congress and a great furore was created about the prerogatives of Congress. It was immediately evident that the fat was in the fire again. Congressman Gearhart introduced his House Joint Resolution 296 into Congress to restrain the Treasury Department from collecting social-security taxes as was mandatory under the Supreme Court interpretations. Congressman Gearhart later wrote a letter in which he said that his bill was introduced "at the request of insurance men." You may rest assured that the request did not come from the insurance men whose coverage was in question.

As you know, the resolution was passed over the President's veto (Public Law 642) and the status of life-insurance salesmen among other groups of outside salesmen, was again thrown into confusion and uncertainty.

Congressmen Knutson and Gearhart were promptly retired from Congress at the next election by the voters but the wage credits of life-insurance salesmen, compensated by commission, were canceled out and the long road back had to be retraced if possible under new and greater restrictions.

V. Since the passage of Public Law 642, our salesmen and their families have been long suffering. They have been dispossessed of their coverage for 13 years by the joint connivance of the life-insurance companies and the so-called National Association of Life Underwriters. The company spokesmen who have hurled the charges of shame and humiliation at the field force have enjoyed the protection of social security without protest since its inception. The House Ways and Means Committee demonstrated that it has become enlightened for in the report which it sent to the House together with H. R. 6000, we find this paragraph in regard to the third definition of "employee" in the bill which refers to our field men by name:

> The third part of the definition extends coverage to individuals who perform services, under prescribed circumstances, in seven occupational groups. Your committee has designated these groups to assure the coverage of individuals who fall within them even though such individuals may be covered as employees under other tests of the definition.

Little did the committee realize how meaningless it would be to include these people as "full-time life-insurance salesmen." However, definition No. 4 will assure their coverage and you may expect to receive the full force of company opposition to that definition. We therefore plead with you to be on guard against any effort to exclude the fourth definition of the term "employee." I would remind you again as I did in April 1948, that you gentlemen are not dealing in legal technicalities only. You are dealing in the bread and butter of fatherless children whose protection depends upon your strength to withstand the attack from people who do not object to social-security coverage for themselves and have accepted it without protest from January 1, 1937.

The CHAIRMAN. Thank you very much, Mrs. Patterson.

Is there anything else you wish to file for the record in connection with your statement?

Mrs. PATTERSON. The exhibits referred to in my speech are all included here.

The CHAIRMAN. Thank you very much, madam. We appreciate your appearance.

Mrs. PATTERSON. Thank you, Mr. Chairman. I appreciate the privilege.

The CHAIRMAN. Miss Olive Huston? Will you identify yourself for the reporter?

STATEMENT OF MISS OLIVE H. HUSTON, EXECUTIVE DIRECTOR, THE NATIONAL FEDERATION OF BUSINESS AND PROFESSIONAL WOMEN'S CLUBS, INC., ACCOMPANIED BY GENEVA F. McQUATTERS, DIRECTOR OF LEGISLATION AND WASHINGTON REPRESENTATIVE

Miss HUSTON. Mr. Chairman, I am Olive H. Huston, executive director of the National Federation of Business and Professional Women's Clubs, Inc., 1819 Broadway, New York, N. Y., and this is my legislative consultant, Miss Geneva F. McQuatters, 191 I Street NW., Washington, D. C.

The CHAIRMAN. We are glad to have you both.

Miss HUSTON. Thank you, Senator.

In line with the committee's request, I shall confine my remarks to 10 minutes, and submit a statement further elaborating our position, which I should like included in the record. I shall not take your time to detail the thorough process by which our organization authorizes and supports the recommendations which I make to you today. The matter of social-security accounts has been of great interest to a large percentage of our 2,800 clubs throughout the 48 States.

First, we favor extension of old-age and survivor benefits to non-covered employments, because we feel that everyone should have the opportunity of contributing to future benefits, regardless of occupation. Also, to ultimately relieve the public-assistance problem, we believe maximum coverage is necessary and desirable. Competent experts have testified on this point, I am sure. We also favor the raising of the amount of exempt earnings to $50, feeling that to both minors and older persons work is beneficial and useful and should not be discouraged.

I should like now to outline our specific interest in this legislation. Our membership has among it many women who are heads of families. As a matter of fact, nearly 20 percent of the women in the labor force are heads of families. In 1946, of these feminine family heads half were 55 years old or older. Almost 30 percent of the total labor force is women. I cite these figures to illustrate that a considerable proportion of our population has not been considered in a realistic light in the establishment of benefits. Although women as workers have been contributing without regard to the fact they are women, yet there seems an interesting, and in our minds, a distressing difference when the benefits are about to be distributed to the worker. For example, some of our women have husbands who are disabled, or

through no fault of their own are dependent for other reasons. They may never have worked the required number of quarters under the social-security law. They may have been self-employed or in other noncovered employment. When a working wife reaches the age of 65, she is entitled to her own account, but she is given no concessions for the fact that she has this dependent. Husbands are treated differently. They are given their accounts, and their dependent wives are given 50 percent of their husband's primary benefits, in addition. The same situation exists between widows and widowers. We believe workers' accounts are entitled to equitable and identical distribution.

We also feel that, instead of mother's benefits, the term should be "parents' current benefits." The widowed father of small children often has even heavier financial obligations and difficulties than a widowed mother. For, if a woman has been contributing both financially and by her services to the home and dies, the widowed father must replace not only her home service but he must do without her financial assistance. We therefore feel that this situation could be included if the term were changed to read "parents' current benefits." It applies to fathers as well as to mothers when a woman has a primary account and the father has the same conditions of eligibility.

We are convinced that children are entitled to benefits from their mother's account, since she was contributing not only her services as a mother but factual financial assistance to the home. If a woman has a primary account, we feel her husband and children are entitled to receive benefits from it, irrespective of the exact proportion of financial responsibility she sustained in the maintenance of her home. At the present time the law is interpreted to provide children benefits from the mother's account only, if the child was not receiving contributions from his father or was receiving at least one-half or more support from his mother.

We are gratified that the House Ways and Means Committee saw fit to leave the present retirement age for both men and women unchanged. However, because it will again be urged by witnesses, we should like to repeat our objections to the proposal to reduce the retirement age, for women only, to age 60. We recognize the difficulties accruing to dependent wives and their husbands in the present administration of the act. We believe, however, that there are more disadvantages to our group of women than advantages in any proposed reduction of retirement age, even though it be on a voluntary basis. Economic facts tell us that the life expectancy of both men and women has been continually extended. Women's longevity is estimated to be at least 5 years longer than men's. It would therefore appear that people should expect to work to a greater age than a lesser one. If a working women were to retire at 60, the social-security fund not only loses the extra 5-year contribution she would make if she worked until 65 but it must pay her 5 years longer. This is certainly an actuarial factor in the insurance program. Of course, to permit dependent wives to retire at 60 without making some provision for the working wives or the working single woman would be manifestly unfair. We would just as vigorously protest any such proposal.

Lastly we feel that if this fund is set up on a business-like basis—and we sincerely trust that some way will be worked out so that it can

be—that there is great inequity to the working married woman in the present system of payments. At age 65, her husband also being eligible, she receives her own account or 60 percent of her husband's, whichever is greater. The dependent married woman automatically receives 50 percent of her husband's account. Some recognition should be made for her financial contribution which the married working woman has made to the fund, as well as the share in the husband's contribution, which a wife is assumed to have. Our concept of marriage as a partnership, whereby the parties share the responsibilities and benefits, would lead us to make the following proposal, which is new, yet not startling, if examined on the basis of our modern life.

We propose that at 65, both partners being eligible, each should receive their own account plus 50 percent of the husband or wife's, whichever is greater. It is only by some such plan that a true return can be made and sufficient incentive be offered to stimulate all individual's best productive efforts in our economic system. It may be necessary to provide a basic floor of "something for nothing—or very little." How much better to encourage individual effort by returns in proportion to the contribution made. Thirty percent of our labor force is women, gentlemen—a vital and not to be overlooked proportion of our national economic system.

We are grateful for the privilege of presenting the views of a substantial group of working women. We sincerely urge our recommendations be considered, and hopefully, acted upon.

Thank you very much.

The CHAIRMAN. Thank you, Miss Huston.

Do you have an additional statement?

Miss HUSTON. We have a complete statement to be filed, Senator George.

The CHAIRMAN. You may file it with the reporter or with the clerk, and it will be entered.

(The prepared statement referred to is as follows:)

STATEMENT OF THE NATIONAL FEDERATION OF BUSINESS AND PROFESSIONAL WOMEN'S CLUBS, INC., BY OLIVE H. HUSTON, EXECUTIVE DIRECTOR

The National Federation of Business and Professional Women's Clubs, Inc., after careful consideration and through its regular democratic processes, has arrived at certain opinions in relation to social security which we would like to present to you today.

We are not commenting on H. R. 6000 in its entirety, but have confined ourselves to several specific points which we have studied at length, because they are of basic interest to us.

The 155,000 members of the national federation are actively engaged in business and the professions. Therefore, it is only natural that we approach the matter of old-age and survivors' insurance from the viewpoint of the employed woman, the woman who is head of the family, or a major contributing factor to it, economically. We have weighed the provisions against the direct effect that they have on us. Most of the recommendations we wish to make are of more direct benefit to men than women, but are all in line with our policies of full-citizen status for women in proportion to their actual rather than theoretical responsibilities.

When the Social Security Act was written, apparently there was still some question as to the percentage and the permanency of women "gainfully employed." The traditional assumption that men are the support of the family unit, and that, in the main, women who work are single and have no dependents, was used. When the number of working women increased sharply during the

war period, it was taken for granted that a large proportion of them would leave the labor market at the termination of the emergency.

In the light of present-day statistics, certain revisions in old-age and survivors' insurance seem indicated. Today, almost 30 percent of the total labor force is women. Of this 30 percent, approximately 48 percent are married; 17 percent are widowed or divorced; 34 percent are single. Eighty percent of the working women are employed for their own and other's support, nearly 20 percent being heads of families, a large percentage of which consists of two or more persons. A point of further interest is that in 1940 almost half these feminine family heads were 55 years old or older.

A redefinition of family relations, taking into account the financial responsibilities of women and their economic contribution to family life, is necessary. There has never been a money value set on the services of women in the home. Yet, it would appear that, if we are to be equitable, there must be some standard established whereby the intangible contributions as a wife, homemaker, and mother can be evaluated. This need exists whether a woman devotes full time to the home duties or spends part of her time outside the home in gainful employment. Several of the problems in relation to women's accounts can be seen to have direct bearing on this nebulous and undefined status of women.

I. EXTENSIONS

We favor extension of old-age and survivors' benefits to employees of nonprofit organizations, to employees of States and their subdivisions, and to the self-employed, as well as the various classifications not now covered, such as domestic and farm labor. We feel that everyone should have the opportunity of contributing to future benefits, regardless of occupation, and that to ultimately relieve the public-assistance problem maximum coverage is necessary and desirable.

II. EXEMPT EARNINGS

We favor the raising of the amount of exempt earnings to $50, as proposed in H. R. 6000. It is, we feel, beneficial for children to have the discipline and challenge of work experience, provided it does not interfere with their health or schooling. Under the present standards of pay, many such avenues are closed to those minors receiving benefits. Also, the therapy involved in an older person sustaining his or her usefulness by pursuing some part-time remunerative creative occupation has been proved to be psychologically important to their welfare, and we feel that a maximum of $50 is more in keeping with current conditions.

III. EQUALIZATION OF BENEFITS

We believe that an account is established by a worker, and, upon his or her death, should have equitable and identical distribution to beneficiaries. Husbands and children should share in the benefits of a woman's account at a proportionate ratio to the contribution she has made. H. R. 6000 does not provide benefits for even disabled husbands, as the original H. R. 2893 did. It also provides no benefits for husbands who may be dependent for other reasons, or who have no account of their own. We would, therefore, provide a husband's and a widower's benefit. This would then give the husband, if he has no account of his own, 50 percent of his wife's benefits on the same basis through which dependent wives receive benefits at this time. Or, if his own account were less than 50 percent of his wife's account, he would receive the difference as is now true of wives with primary accounts of their own. For the same reasons, we believe that a widower is entitled to the benefit that widows now receive, if his primary account is less than three-fourths of his deceased wife's, or if he has no primary account of his own.

In considering mothers' benefits, a term which we feel is more judicious would be "parents' current benefits." A widowed father of small children often has even heavier financial obligations and difficulties than a widowed mother. For if a woman has been contributing both financially and by her services to the home, and dies, the widowed father must replace not only her home services but he must do without her financial assistance. We therefore feel that the term "mother's benefit," as set up in H. R. 6000, should be changed to read "parents' current benefit," and apply to fathers as well as mothers when the woman has a primary account and the father has the same conditions of eligibility.

IV. CHILDREN'S BENEFITS

We would like to see the point clarified in regard to children's benefits. H. R. 6000 provides that a child or children may receive benefits from a deceased parent if that parent were furnishing at least one-half the amount of the children's support. We feel there should be a very definite evaluation as to a mother's services in this connection. A mother may have been contributing less than 50 percent in actual cash, but even though she may have employed assistance in the home, she still has home obligations which would have to be replaced. If a woman has a primary account, we feel that her husband and children are entitled to receive benefits from it irrespective of the proportion of financial responsibility she sustained in the maintenance of the home.

V. REDUCTION OF RETIREMENT AGE

We were gratified that the House Ways and Means Committee saw fit to leave the present retirement age for both men and women unchanged. However, because it will again be urged by witnesses, we should like to repeat our objections to the proposal to reduce the age for women only, to age 60. We have taken carefully into account the reasons for this recommendation by both the Federal Security Agency and the Social Security Advisory Council of the Senate Finance Committee. While we recognize the difficulties accruing to dependent wives and their husbands in the present administration, we believe that there are more disadvantages to our group of women than advantages, in the proposed change. Our first objection is based partially on economic facts. The life expectancy of both men and women has continuously been extended. Women are estimated to live at least 5 years longer than men. It would, therefore, appear that the general population should expect to work to a greater rather than a lesser age than at present.

We understand that dependent wives would receive 50 percent of their husbands' retirement under this new proposal, as they do at present. However, it has not been made clear what the retirement amount at age 60 would be for a woman with a primary account of her own. It has been said that the intent is to give her the same allowance at 60 as she would receive at 65. To us, this is economically unfeasible. The social security fund not only loses her extra 5-year contribution, but, according to longevity tables, benefits must be paid her for an average of 5 years longer. Bear in mind, in this connection, that over half the women in the labor force are 35 years of age or over. In the past 7 years the number of women in the population 45 to 64 years of age increased 16 percent. However, the number of women workers 45 to 64 increased 51 percent. This statistical trend will thus assume greater importance in the future as an actuarial factor in the old-age and survivors insurance program. We recognize, of course, that to permit dependent wives to retire at 60 without making some provision for the working wife or the working single woman would be manifestly unfair and inequitable, and we would just as vigorously protest any such proposal.

A second, and very basic objection, is that, although this would be a permissive retirement, we believe that the setting of this age by the Government would establish a dangerous pattern for private business, both in its own pension funds and in the mandatory retirement age which it may set. Our experience has been that if women are able to work up to the age of 60, the chances are that they will be able to work beyond that time, certainly as ably as men. Therefore, we strenuously object to any differentiation in the retirement age between men and women, and we do not favor reduction to age 60 for either men or women. If there is to be a reduction, it should be for both sexes, but we believe the present age of 65 is fair to both sexes, and in view of increasing longevity, much more realistic.

VI. ADJUSTMENT OF MARRIED WOMEN'S BENEFITS

The final problem is one to which no solution has been proposed, to our knowledge. At the present time there is no recognition given to the married working woman who has a primary account, if that primary account, is less than 50 percent of her husband's. Upon reaching the required age, she receives merely the 50 percent which is what she would have received had she never made any contribution to the social security fund. There are other places in the fund where it appears that benefits are computed on a basis of, and in propor-

tion to, the amount of contributions made. We feel, therefore, that this principle should be carried through into this area.

It would seem only just that there be some return to a woman with a primary account of her own for the contribution she has made. In her role as wife and homemaker, she is entitled under our interpretation of community property, to share in the benefits of her husband's account because of her contribution to the family life. However, she should be entitled to an additional benefit because of her own financial contributions. Her husband, too, would gain advantage from this plan, because of a larger combined benefit for the two of them.

We therefore submit the following proposal, this being predicated upon the committee's acceptance of the equalization of benefits of both husbands and widowers; that at the age of 65, the husband and wife both being eligible, each shall receive their primary benefit, and the one with the lesser benefits will receive 50 percent of the larger.

I should like to state, in closing, that our organization has come to these conclusions only after long and thorough consideration. At several national meetings in the past few years, representatives of State federations and clubs have expressed concern over the hardships members were experiencing in the present operation of the Social Security Act.

Discussion and study has been carried on throughout many of our 2,400 local clubs. In 1948, at our biennial convention, with approximately 3,000 business and professional women present, the following plank was added to our legislative platform; "Support of a domestic policy for removal from social security laws of inequalities in regard to sex and classification."

In 1949 at our national board meeting, it was changed for purposes of clarification to read: "Extension of social security laws to noncovered employments and removal from social security laws of inequalities based on sex."

In line with our legislative policy, the steering committee, composed of legal and federation experts, investigated the new proposals and authorized those which we have presented here today.

We are sure the committee will recognize the thoughtful attention which has been given to these problems and respectfully solicit its careful consideration of our recommendations. We are confident that the effect of this legislation on a large and economically important group of citizens will at once be apparent to you, and that you will appreciate the necessity for remedial action. We thank the committee for its courtesy in permitting us to present our views.

(The following letter was submitted for the record:)

CHICAGO, ILL., *December 28, 1949.*

Hon. WALTER F. GEORGE,
Washington, D. C.

SIR: As you are the chairman of the Senates Finance Committee which will call hearings early in January on the House bill covering social security, I am taking the liberty of writing to you to call your attention to the pledge of the Democratic Party in their platform to reduce the retirement age of the women of this country from 65 years to 60 years.

It seems that the administration from the President down the line has completely forgotten about this pledge, and the recent report of the House Ways and Means Committee made no mention of it whatsoever. It is, therefore, hoped that you will do your utmost to put this matter before the Senate Finance Committee in an effort to make the retirement age for women 60 years.

When a self-supporting woman in this country has the misfortune to become unemployed even at the age of 45, it is extremely difficult for her to gain employment at a remunerative salary, and with the high cost of living, excessive Federal taxes and all the other taxes, there is little left to lay aside for a rainy day.

The women of the country are not going to forget the pledge made during the last Presidential election to reduce the retiring age from 65 to 60 years and if the Senate Finance Committee does not take the necessary action now, it is time for all the women's organizations in the country to band together and select candidates in the coming election who will put forth their efforts to make this a law.

Will you please be good enough to let me hear from you in this regard?

Yours very truly,

Miss MATHILDE M. KING.

The CHAIRMAN. Dr. Francis J. Cummings?

I understand that Dr. Cummings is on the way here and will arrive in a few minutes. We shall, therefore, proceed to the next witness.

Mr. James Watt? You may come down and have a seat, Mr. Watt.

STATEMENT OF JAMES WATT, MANAGER, WASHINGTON, D. C., OFFICE, CHRISTIAN SCIENCE COMMITTEE ON PUBLICATION

Mr. WATT. Good morning, Senator.

The CHAIRMAN. We are glad to have your statement on H. R. 6000. Does your statement relate to specific provisions in the bill?

Mr. WATT. Yes, it does, Senator; to title III.

The CHAIRMAN. All right, sir. You may proceed.

Mr. WATT. I am James Watt and represent the Christian Science Church. I am appearing before your honorable committee to seek amendments to title III of H. R. 6000 so that Christian Scientists being aided by welfare programs may have a choice of something besides medical care—something in keeping with their religion.

The Bureau of Public Assistance of the Social Security Board handles old-age assistance for the Federal Government. This Board approves State plans for such assistance and serves as a clearing house for information as to the best practices—actual and theoretical—in that field. The present policy of this Board is to require that before payments may be made for medical care, certification as to the need must be made by a licensed medical practitioner. This, of course, is a recommendation; but it is quite generally followed throughout the country. It means that if a Christian Scientist happens to come under old-age assistance, in most States he cannot have the form of treatment for human ailments to which he is accustomed, namely, Christian Science treatment, but can receive assistance only for medical care.

Christian Scientists throughout the land are helping through tax payments to build up the funds out of which old-age assistance is paid. For example, in the Commonwealth of Massachusetts, there is a 5 percent tax on meals over $1. Christian Scientists, along with others, may pay these taxes for many years, and either they themselves, or one of their relatives may then be in need of old-age assistance. Should only one form of treatment, that is, medical, be available as compensation for these prepayments? Should Christian Scientists, who, themselves, have contributed to the cause of old-age assistance via social security and special taxes, be supplied with medical treatment but denied Christian Science treatment? The answer is that in all equity, their own and contributions of Christian Scientists everywhere should entitle them to Christian Science treatment if they desire it. Many of the States see the justice of this provision but claim that they can do nothing because at the Federal level payment is authorized only for medical care, and certification must be by a licensed medical practitioner.

Christian Science treatment is a branch of the healing arts. Healing the sick through prayer as Christ Jesus did and directed His followers to do is a fundamental practice of the Christian Science religion. Christian Scientists have proved that reliance upon material methods of healing is incompatible with reliance upon divine aid through prayer and that it is not only incorrect, but truly im-

possible under divine law to rely upon both. This means that if they accept medical treatment, they are violating the very fundamentals of their religion. Although their method of treating the sick runs contrary to the prevailing systems of today, it is successful and, more important, it is an integral part of their religion, therefore a constitutional right under the first amendment.

To rectify the situation, we should like to offer the following amendments to H. R. 6000 so beneficiaries of social security may have the treatment of their choice provided it is legal in the States where they reside:

On page 174, line 1, after the word "medical" insert "or other legal remedial."

On page 178, line 12, after the word "medical" insert "or other legal remedial."

On page 178, line 15, after the word "medical" insert "or other legal remedial."

On page 185, line 9, after the word "medical" insert "or other legal remedial."

On page 194, line 20, after the word "medical" insert "or other legal remedial."

May we bring the following facts to your attention as a matter of possible interest to your committee in considering our request?

(1) Two States—California and Illinois—have laws which permit the States to supply Christian Science treatment in lieu of medical treatment where they choose to do so. For example, the California law says:

> No rule or regulation shall be adopted or continued in force, the operation of which results in discrimination against practitioners of any type of therapy, treatment by prayer or spiritual means, or other treatment recognized as a branch of the healing arts.

(2) In contrast to Social Security Board policy that care must be medical and certification be by a medical practitioner, the Federal Government, under its annual and sick leave regulations for Government employees, accepts certificates of Christian Science practitioners for granting sick leave.

(3) The Railroad Retirement Board accepts the certification of Christian Science practitioners for benefits paid railroad employees under the Railroad Unemployment Insurance Act—Crosser Act.

It will be deeply appreciated by the entire body of Christian Scientists if your honorable committee will give favorable consideration to these proposed amendments.

Thank you very much.

The CHAIRMAN. Thank you, sir.

Mr. WATT. I would like to file this table of legal provisions, which gives the two laws which I referred to.

The CHAIRMAN. Yes, sir. Are those particular tables very lengthy?

Mr. WATT. No, sir, they are not; a paragraph each.

The CHAIRMAN. They may be incorporated in the record at this point.

And thank you for your appearance.

(The matter referred to is as follows:)

VETERANS, OLD-AGE ASSISTANCE

PROVISIONS FOR CHRISTIAN SCIENCE TREATMENT

California (part of a law relating to aid to the aged, and prohibiting discrimination against practitioners of particular types of healing arts in the rules for the administration thereof): "No rule or regulation shall be adopted or continued in force the operation of which results in discrimination against practitioners of any type of therapy, treatment by prayer or spiritual means, or other treatment recognized as a branch of the healing arts in favor of the practitioners of any other branch of the healing arts" (Welfare and Institutions Code of California, sec. 2140).

Illinois (part of an old-age assistance law): "No person receiving an old-age pension grant under this act shall at the same time receive any other public assistance from the State or from any political subdivision thereof or from any municipal corporation therein except for necessary medical, surgical, and hospital assistance, or for treatment of disease by prayer or spiritual means" (Illinois Revised Statutes, 1943, ch. 23, sec. 424-1/4).

The CHAIRMAN. Dr. Cummings? You may come around, please, sir.

You are the executive secretary of the Delaware Commission for the Blind?

STATEMENT OF DR. FRANCIS J. CUMMINGS, PH. D., EXECUTIVE SECRETARY, DELAWARE COMMISSION FOR THE BLIND, AND IMMEDIATE PAST PRESIDENT, AMERICAN ASSOCIATION OF WORKERS FOR THE BLIND, WILMINGTON, DEL.

Dr. CUMMINGS. That is correct; and immediate past president of the American Association of Workers for the Blind, of which organization I am currently a member of the legislative committee. It is chiefly in this latter capacity that I appear here, although I appear also as executive secretary of the Delaware Commission for the Blind.

When I asked Senator Williams for this opportunity formally to appear, I was referring specifically to Senate bill 2066, which was introduced bipartisanly by Senator Ives and Senator McGrath, I believe, and which had to do with exempt earnings for blind recipients of aid to the blind.

We in the work have felt for years and have found out from our experience that many, many marginal blind workers, that is, many people who could produce but who could not earn two or three or four hundred dollars a month, were kept from doing any work at all by the simple fact that each dollar they earned was immediately deducted from their relatively small grant under aid to the blind.

We felt that there must be considered certain facts: The psychological fact of work and its meaning for the individual, the fact that a blind person, who has come upon him suddenly this new life, this life of darkness, which at first seems horrifying, is unable to shake off, in many cases, this particular incubus, simply because of fear of losing the little security he had. We felt that that was a tragedy, and that something ought to be done to stimulate these people to do whatever they could do in a productive way, no matter how small it might be.

And so we asked Congress, asked specifically Senator Ives and Senator McGrath, to introduce a bill exempting a small amount of the

earnings from consideration, when the aid-to-the-blind grant was being made up and the bill was introduced. Now I understand that in compromise form some of the provisions of this particular bill, 2066, are now to be found in section 341 (c) of the bill presently under discussion.

Now, 341 (c) is a compromise, and like all compromises, not entirely satisfactory to anybody. We, at the time—when I say "we," I mean the American Association of Workers for the Blind, the National Federation of the Blind, and the American Foundation for the Blind, working conjointly—we agreed to have introduced three different types of exempt-earnings provisions. This one that was accepted, I will admit, was the one that we agreed to with tongue in cheek. It is the least effective of the three, but the one that the administrator, Dr. Altmeyer, specifically, agreed to go along with; so as a matter of compromise we went along also.

However, I would like to address myself to one specific phase of that 341 (c) of that compromise; that is, the part which puts in the hands of the director of rehabilitation in a given State the power to certify or not to certify that certain blind people should or should not be given this privilege of exempt earnings. That, gentlemen, in my opinion, adds confusion to what is otherwise a very helpful provision. The fact that the principle of exempt earnings is here recognized is in itself excellent, is very good; but bringing the rehabilitation people into this picture of aid to the blind can be, well, very confusing.

If the bill is passed as is, if this section is not at least slightly changed, then in certain States I am sure it will find itself more or less unworkable. In my own State of Delaware, there is no difficulty. In Delaware, the aid to the blind and the rehabilitation of the blind are both handled by the same agency. We have an integrated program of services to the blind, which we in the American Association of Workers for the Blind feel is the desideratum in all States, and indeed on the Federal level. It is an integration of all services to the blind, so that instead of conflicting one with the other, as aid and rehabilitation have so long done, they will work together toward their primary goal, which is the alleviation of the burden of blindness.

Congress has always been very considerate of those of us who have had the privilege of making an appeal for our particular group, but, as is necessarily the case, where we are dealing with minor matters, relatively minor matters in the terrific burden of legislation that you gentlemen are confronted with, it is almost inevitable that conflicts do occur. And such conflict does exist, more or less, between the rehabilitation concept of the work for the blind and the aid concept.

I, of course, am, as a blind man, as one who has tried at least to overcome the handicap and carry my own little load in life as best I could, 100 percent in favor of the rehabilitation concept. That is not to say, of course, that I in any sense decry the aid concept where it is necessary. Aid to the blind should be the last resort after we have done everything we could to rehabilitate, to put the men and women back in the productive line. After that has been found totally impossible, then we should resort to aid to the blind.

Of course, in the case of the aged, many of the blind are aged, and there aid to the blind probably would be the first recourse. In any case, section 341 (c) exempts a maximum of $50, and, as I say, puts

into the hands of the rehabilitation agencies in the States the decision as to who should have this exemption and who should not.

I pointed out that in States where there is integration, this is all right. But let us take a State like, well, Georgia—Senator George's State.

In States like Georgia, where the rehabilitation of the blind is handled by the State rehabilitation agency and not by the agency for the blind—in other words, where they are familiar with the problems of blindness only in a relatively limited way—those of us who have worked with the blind from all angles feel we know the problem from all angles, and those of us who have lived it as well as worked with it feel that we perhaps know it a little more thoroughly in a State like Georgia or West Virginia or California, where the person who is to certify this exemption is hardly familiar with the work for the blind, is not at all concerned with the aid to the blind, and possibly does not even know that such a provision exists, because it is not his field, and I am afraid there is bound to be a certain amount of confusion.

Now, I have in my possession a letter from Miss Jane Hoey, Director of the Bureau of Public Assistance, which does at least give me some satisfaction, some hope, that this particular provision may not be too confusing. Where the certification to be made is on an individual basis, particularly in large States, gentlemen, section 341 (c) would be as good as nothing; but Miss Hoey's letter assures me that the certification will be made on a group and not on an individual basis. That being true, I do think the confusion is somewhat dissolved. But it would still be better if we were to eliminate all reference to the director of rehabilitation and simply make the exemption mandatory.

In any case, if the director of rehabilitation is left in there, gentlemen, I urge you to make the blanket phase, the blanket exemption, a mandatory feature. If each individual has to be considered separately by the director of rehabilitation, I am afraid the effect of the provision will be greatly weakened.

Another provision of the bill that I would like to address myself to briefly is 341 (d), which deals with the right of opthalmologists and optometrists to examine those who are being considered for aid to the blind. Now, I don't feel that we should have injected into this particular situation any professional rivalry that may exist between opthalmologists and optometrists. That, of course, is not our particular affair. I know that optometrists have their place; I know it is a very important place; but I don't believe it is this place. In other words, when people are examined for eligibility for aid to the blind, we feel that that examination should also determine whether or not there is any possibility of eliminating the blindness, or at least improving the vision; whether that particular person might through operation or some other treatment be removed entirely from consideration for aid, or maybe might be restored completely to productive life. Now, an optometrist is not qualified to make such an examination.

Therefore, I urge you, gentlemen, to put that particular section, 341 (d), back as it was before; that is, that eligibility for aid to the blind shall be determined by physicians skilled in diseases of the eye.

Now, I have tried, as requested, to make my remarks brief this morning. I know that you are burdened with much legislation. I know this massive bill in itself is enough to keep you busy for many,

many weeks. I want to congratulate you on the wonderful work that has been done with it so far. It is in vastly different shape so far as our work is concerned than it was when we first addressed ourselves to it last March in the House.

But I do not want to leave without making reference to one of our pet concepts; the "our" again, referring to the American Association of Workers for the Blind. In one of your committees, I believe the Committee on Expenditures in the Executive Departments, there is a concurrent resolution, No. 43, introduced I believe by Senator Kefauver, which provides that the President be urged to coordinate on the Federal level all the services for the blind, particularly aid to the blind, rehabilitation of the blind, and the Randolph-Sheppard Act, which has to do with vending stands and the like in public buildings and all other Federal services to the blind that may be brought together with administrative practicability.

This provision, gentlemen, insofar as it can be brought into the bill now under consideration, will meet with, well, our great joy. Section 341 (c) is a very pale smile in that direction, very pale; but it is in the right direction. We want coordination of the work for the blind. That is in line with all modern concepts of thinking. It will save money to the taxpayer, as well as giving better service to the States and better service to the clients, for whom, after all, the laws are made. So that if we can achieve that at a lower cost, why not achieve it—vested interests to the contrary notwithstanding?

When Concurrent Resolution 43 comes up for consideration, I hope, gentlemen, you will give it your favorable consideration and put as much of its principle as you can into the act that you are considering today.

Thank you for your patience, and I will be glad to answer any questions that you may care to ask me.

The CHAIRMAN. Thank you very much, Doctor.

Senator Williams, do you wish to ask any questions?

Senator WILLIAMS. I have no questions, Mr. Chairman.

The CHAIRMAN. I believe, Doctor, that this subject has been fairly well covered already in the recommendations submitted by others in behalf of your organization and for the blind generally, and those recommendations have gone somewhat into detail.

We are very glad to have had you here; and thank you very much for your appearance.

Dr. CUMMINGS. Thank you, Mr. Chairman.

(The prepared statement filed by Dr. Cummings follows:)

STATEMENT BY FRANCIS J. CUMMINGS, PH. D., EXECUTIVE SECRETARY, DELAWARE COMMISSION FOR THE BLIND AND IMMEDIATE PAST PRESIDENT, AMERICAN ASSOCIATION OF WORKERS FOR THE BLIND

My name is Francis J. Cummings. I am executive secretary of the Delaware Commission for the Blind and immediate past president of the American Association of Workers for the Blind and at present a member of the legislative committee of that same organization.

S. 2060, which I originally planned to discuss with you today, is now, in compromise form, a part of H. R. 6000, the new social security bill. S. 2060 provided for exemption of earnings of blind recipients of aid to the blind in order that said recipients might be encouraged to employ to the fullest their residual powers, thus adding to the producing segment of our population and enhancing immeasurably their own personal joy of living. For the joy of living, gentlemen, fades out almost completely for many persons who suddenly find them-

selves in the new, unfamiliar and, at first, horrifying world of darkness. This joy of living must be restored: The belief that all participation in productive living is forever ended must be dissipated. Under the present system, it is very difficult to induce many blind people, recipients of a small grant under provisions of a State-Federal plan for aid to the blind, to learn some simple handicraft whereby they may produce a little, earn a little and rejoice much; for creation, no matter how primitive, how elementary, brings pride and confidence and inner satisfaction. These intangible returns for labor are invaluable, and every blind person who has gone through this early stage of adjustment to new modes of work, new types of satisfaction, knows what I mean.

But how, gentlemen, can we induce people to seek these desirable psychological values if we must tell them at the same time that every dollar they earn will be deducted from their already small monthly subsistence grants. S. 2060 recognized this difficulty and set a minimum exemption, permitting the States to set their own maximum according to the particular conditions prevailing in each area.

Section 341(C) of the bill presently under consideration greatly waters down the provisions of S. 2060 and, like all compromises, is completely satisfactory to no one. But it does recognize the soundness of the principle of exempt earnings in certain cases, and to this extent, it is good.

Section 341(C) confuses the problem of administration, however when it provides that certification must be given by the department dealing with rehabilitation in each State before the exemption can be effectuated. Were this certification to be required for each individual case, this section of the present bill would be as good as nothing. However, a letter from Miss Jane Hoey, director, Bureau of Public Assistance, FSA, under date of September 20, 1949, assures me that this certification will be on a group rather than on an individual basis. Let us hope so.

But even with this blanket certification, the arrangement is an unnecessarily complicated one. In States like my own, where the programs of aid to the blind and vocational rehabilitation of the blind are under one direction and therefore closely integrated, as they should be everywhere, including on the Federal level—in such States there is no difficulty. But in those States where there is no such coordination, conflict and confusion may result. I urge, therefore, gentlemen, that section 341(C) be slightly amended to provide for "blanket" certification by the director of rehabilitation or by eliminating all reference to the director of rehabilitation. In this, we are not asking for much, but it is of utmost importance.

The American Association of Workers for the Blind has gone on record as favoring a petition to this committee to eliminate from section 341 (d) of the present bill the words "or by an optometrist." We are convinced that the injection of the professional rivalry between optometrists and opthalmologists into this bill is unfortunate. The eye examination should be not only for the determination of eligibility for a money grant under the present bill but also for the determination of the feasibility of complete or partial elimination of the blindness. Proper diagnosis and prognosis can, we believe, be given only by physicians skilled in diseases of the eye. I respectfully urge your serious attention to this vitally important matter.

I have tried to keep my remarks brief, gentlemen, because I realize the terrific pressure under which you are working. I cannot leave you, however, without passing reference to Senate Concurrent Resolution 43, introduced into the Senate by Senator Kefauver—corresponding resolution in House Concurrent Resolution 63, introduced by Representative Boggs, of Delaware—which urges upon the President the desirability of an Executive order setting up an integrated program of services to the blind on the Federal level, program which would bring together in a separate bureau or sub-bureau of the Federal Security Agency, aid to the needy blind, rehabilitation of the employable blind, Randolph-Sheppard Act (provides for vending stands in Federal buildings) and such other Federal services as may prove to be administratively practicable. The American Association of Workers for the Blind have strongly endorsed this resolution as the ne plus ultra insofar as administrative set-up is concerned for services for the blind on the Federal level. Section 341 (c) of the present bill is a pale smile in the right direction, but very pale. In congratulating you on the masterful job that has been done with the massive piece of legislation you are at present considering, may I urge your support for a much less massive but eminently effective document, Senate Concurrent Resolution 43, and reiterate the already expressed hope that the above-explained confusion in section

341 (c) of H. R. 6000 will be done away with, and section 341 (d) be restored to grace.

The CHAIRMAN. Mr. Paul H. Robbins? You may have a seat, sir. Will you identify yourself for the record?

STATEMENT OF PAUL H. ROBBINS, EXECUTIVE DIRECTOR, NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS

Mr. ROBBINS. Yes, sir. My name is Paul H. Robbins. I am executive director of the National Society of Professional Engineers and I appear before the committee to present the views of our organization on the pending bill to extend and improve the Federal old-age and survivors insurance system, H. R. 6000.

By way of background, the National Society of Professional Engineers consists of over 21,000 members who are all registered as professional engineers under the various State engineering registration laws. In addition, a small number of young men known as engineers-in-training, who still lack the required number of years of experience to obtain registration, are affiliated with NSPE. Our membership is affiliated through member State societies in 34 States of the Union.

The primary interest of the National Society of Professional Engineers in the pending legislation is in connection with the proposed addition of the self-employed to the social-security system. Consulting engineers will be affected by the decision on their inclusion or exclusion, and this group has considered the question of their status in the revised legislation at some length. Likewise, the National Society of Professional Engineers has given thought to the position of self-employed professional engineers in the social-security system through its legislative committee and board of directors.

The House of Representatives has, of course, already acted on the pending legislation, and in our considered opinion, the proposed handling of self-employed professional engineers in the bill passed by the House is altogether unsatisfactory from the standpoint of the profession and from an administrative standpoint. In adding the self-employed the House-passed bill excludes certain professions, such as physicians, lawyers, dentists, et cetera. In applying this exclusion to the engineering profession the House saw fit to separate the profession by branches, and in its present form the bill would exclude those self-employed engineers performing services in the aeronautical, chemical, civil, electrical, mechanical, metallurgical, or mining fields of engineering. Presumably, self-employed professional engineers practicing in other branches would be added to the social-security rolls. We do not know of any reason for this division of the profession and we are convinced that it will prove to be unworkable and unsatisfactory.

Just as is true of many other professions, the engineering profession is composed of various specialties or branches; yet it is a single profession with all branches having certain basic fundamentals in common. The recognized accrediting agency of the profession for engineering schools is the Engineers' Council for Professional Development, and we cite from their list of approved engineering curricula to illustrate other branches of engineering in which degrees are granted and which would not be covered in the present language of the bill.

These are: Agricultural engineering, architectural engineering, ceramic engineering, fuel technology, general engineering, geological engineering, industrial engineering, marine engineering, and petroleum engineering. A self-employed professional engineer practicing in one of these branches would presumably be covered by the social-security system while those practicing in the branches set forth in the present bill would be excluded.

One effect of this application would be to make the question of inclusion or exclusion a voluntary matter for the individual. Many engineers are qualified and practice in more than one branch. To illustrate the practical working of the proposed arrangement, a consulting engineer engaged in manufacturing production who desired to be included in the social-security system would report as an industrial engineer. Conversely, if he desired to be excluded, he would list himself as a mechanical engineer. The same illustration may be made in the case of the engineer engaged in petroleum work. He could hold himself out as a mining engineer and be excluded or as a petroleum engineer and be included. While it may have been the intent of the framers of the bill that the branches not named would be considered subdivisions of the basic branches we strongly feel that this will prove to be impossible of sound administration and arbitrary judgments would have to be made in placing certain branches under one of the basic branches.

In addition, there are fields of engineering, not named in the bill, which cannot logically be placed under any of the older basic branches. This is especially so in the newer fields of engineering which are coming to the fore in our rapid modern technological development. An illustration is the growing field of plastic engineering. Other instances would be agricultural engineering and ceramic engineering.

After reading the report of the House Committee on Ways and Means and the various comments of experts in the social-security field we are sure that it was not the desire of the House committee to make the addition of the self-employed compulsory in all cases except that of engineering. Yet that is one of the effects of the bill as it now stands.

Another inconsistency in the present situation is the complete exclusion of doctors, lawyers, dentists, and other professions, the partial exclusion of the engineering profession and the complete inclusion of other professions. A profession closely allied with engineering is architecture. Presumably all self-employed architects would be included.

We do not presume to speak for or even indicate the desires of the architects in this question but the comparison does raise another point of difficulty in applying the proposed law. It is not uncommon for an individual to be both an architect and an engineer and to practice both professions at the same time inasmuch as they have a very close relationship and intertwining. In these cases the choice would again be left to the individual. If he desired to be included he would report as an architect and if he desired exclusion he would report as an engineer under one of the branches listed in the bill. It would raise an interesting administrative situation if some rugged individualist engaged in both professions insisted that he was in that situation and did not think it possible to make a choice between one or the

other. Part of him would be in and part of him would be out. Perhaps our able administrators could work out a formula to cover such special cases but we feel that these inconsistencies should be avoided. Enough has been cited, we believe, to make a point which we feel is fundamental—that the engineering profession's members in self-employment must be treated as a single group. Either all self-employed professional engineers should be covered or they should all be excluded.

Making a choice between these two opportunities has required a careful weighing of the advantages and disadvantages. Certain problems are inherent in the profession field which may not be true in other fields of self-employment. The primary consideration is the benefit to be derived upon reaching retirement age of 65 against the contributions to be paid into the fund. Of course, the primary benefit is the monthly payment after the age of 65. As is true in many other professions, the average self-employed engineer does not retire at that age if he is still in good health and able to continue his practice. Many of our more successful and eminent consulting engineers are well past that age. Such persons would not receive monthly benefits because their earnings from such practice would usually far exceed the income limitation of $50 per month or $600 per year. Even those who continued their practice on a limited part-time basis could be expected to earn more than $50 per month. We recognize that there are other benefits in the system such as death benefits and monthly benefits to widows under certain circumstances. However, weighing these against the probability that most self-employed engineers would not receive monthly benefits, it is our considered opinion that self-employed professional engineers should be excluded. We, therefore, recommend to the committee that the pending bill be amended by striking out the following words on page 57, lines 4, 5, and 6 and such other places in the bill as may be applicable: "an aeronautical, chemical, civil, electrical, mechanical, matallurgical, or mining engineer" and substituting therefor the words "a professional engineer."

The words "professional engineer" have a definie well-established meaning recognized in the law and will provide a solid practical base for administration. Every State in the Union has an engineering registration law and "professional engineer" is the common title applied to those who have demonstrated their qualifications under the State laws and accordingly have been issued certificates authorizing their practice before the public. Under these State laws a person may not lawfully offer his services in a self-employed consulting capacity unless he is registered. In this situation the administrator will have no difficulty in applying the exemption, just as will be true in the medical and legal professions.

It is our sincere belief that this recommendation will result in a sounder bill and will eliminate the confusion of administration which is bound to result from the present language of the bill.

If we may be of further assistance to the committee in answering questions or supplying further information and data we shall, of course, be glad to do so.

The CHAIRMAN. Did the engineers appear before the House committee and express their opinion upon this question?

Mr. ROBBINS. No, they did not.

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

Mr. ROBBINS. Thank you, Senator.
(The following statements were submitted for the record:)

THE AMERICAN INSTITUTE OF ARCHITECTS,
Washington, D. C., January 12, 1950.

Hon. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
Senate Building, Washington, D. C.

DEAR SIR: As the only national organization representing the profession of architecture in the United States, the American Institute of Architects, with a membership of 8,375 and 94 chapters, is well qualified to voice the opinion of the profession. We wish to take this means of recording our support of the general provisions of H. R. 6000, a bill to extend and improve the Federal old-age and survivors' insurance system.

There is, however, one section in the bill in which we should appreciate having architects included with other professions under section 211, "Self-employment," (c) 5. Specifically, we respectfully ask that the word "architect" be included in the paragraph beginning on line 1 of page 57: "The performance of service by an individual in the exercise of his profession as a physician, lawyer, dentist * * *." We feel that the omission of a specific reference to the architect has been an oversight in the original drafting of the bill.

We strongly urge that you, as chairman of the Senate Finance Committee, include the word "architect" in the section above cited before the bill is reported out of committee.

Respectfully yours,

EDMUND R. PURVES, *Executive Director.*

STATEMENT OF OSCAR W. GIESE REGARDING EXPANDED SOCIAL SECURITY BILL, H. R. 6000

My name is Oscar W. Giese. I reside at 3045 Foxhall Road, Washington, D. C., and this statement is being submitted in my private capacity as an independent lawyer in private practice without representation of any group.

As a father of three young children, a veteran of World War II, and a lawyer since 1930, I strongly oppose any social-security bill which eliminates lawyers in private practice from its benefits.

After admission to the bar in 1930 I remained in private practice until the outbreak of World War II. At that time I was commissioned an officer in the Army of the United States and remained in that capacity until after the end of hostilities in November 1945. Thereafter I accepted employment for about 2½ years with one of my prewar clients, a medium-sized manufacturing corporation, as vice president in charge of legal affairs. In July of 1948 I returned to the private practice of law because I like it. Ever since I have continuously practiced with offices at Washington, D. C. My office is small. I only have one secretary and one technical assistant. In addition I engage the services of other private legal practitioners in an associate capacity.

When I was vice president of my client's company I came under the social-security law, as was the case with all employees and other officers. In addition, I came under a company-retirement plan, which was arranged to pay a retirement income in addition to the retirement income of social security. At the present time I pay out social-security taxes for my employees but not upon my own net income, and I do not myself obtain any benefits under the present law. The same would be true of H. R. 6000 in my case as a private practicing lawyer.

I see no reason why I should not now have the same social-security benefits that I did have when I was a corporate executive, i. e., the right to pay tax on my own earnings and obtain the benefits of the law. I am still a taxpayer, and at the present time I need social security even more because I am no longer under the corporate retirement plan. It is most unfair that I be required to pay social-security taxes for my employees but be deprived of the benefits of the act.

I feel especially strongly about this because I have been checking into the costs of private retirement income annuity and private family protection. The cost is appalling, and whatever social-security taxes I might pay on my own earned income would be insignificant as compared to what would have to be paid privately. If I am wrong about that—and I am not—the private companies are missing a mass potential customer group.

It has been urged that the dollar will not be worth anything by the time I would be ready to collect on social security. But if that should unfortunately prove to be the case, my own privately earned dollars will not be worth a bit more. Some ultraconservative lawyers and others, perhaps, I know would prefer not to be under social security just on general principles. But I am sure this is not generally true of the younger lawyers, and especially lawyers who have the problem of providing security for a family such as mine.

It is respectfully urged that your committee take steps to have the proposed legislation amended to at least give a private practicing lawyer the option of placing himself under the social-security law. This would put him on the same level as other taxpayers and prevent him from being penalized to the extent of having to pay the very much larger cost of private annuity and family protection.

The foregoing is not intended as a dissertation on the relative merits of public or private business. That is not the issue. Social security already exists and is apparently going to get much bigger. The only issue is whether or not a minority group should be excluded.

Such limited inquiries as I have made indicate that the American Bar Association itself has apparently never taken any formal action to suggest inclusion of private lawyers in the proposed new bill. Maybe it is now too late to set their procedure in motion. However, for your information I enclose a copy of a letter which I have today written to Mr. Harold J. Gallagher, president of the American Bar Association, of which I have been a member for many years.

WASHINGTON, D. C., *February 28, 1950.*

Mr. HAROLD J. GALLAGHER,
President, American Bar Association,
New York, N. Y.

DEAR MR. GALLAGHER: The purpose of this letter is to request that the American Bar Association take action before the Congress at earliest convenience to urge that the proposed expanded social-security legislation now pending (H. R. 6000) be amended to give private practicing lawyers its benefits. At the very least, the act should be so worded as to give private practicing lawyers the option of coming under the act. Possibly this matter has already been taken care of but such limited inquiries as I have been able to make from here indicate that the association has taken no position.

Except for wartime service in the Army and a postwar period of 2½ years in the employ of one of my prewar clients, I have been a lawyer in private practice ever since 1930. During the great majority of that time I have been a member of the American Bar Association, and I still am a member. It is for this reason that I am now calling upon the association for assistance in getting a manifest injustice of the proposed bill corrected.

I have a wife and three children and wish to make sure that their security, if not my own, is insured. To this end I have been checking the cost of privately building up a retirement income and family protection comparable to social-security benefits. As a result, I have been appalled by the private cost and I see no reason whatsoever why the benefits of social security should not be made available to me as in the case of other taxpayers.

H. R. 6000 has already been passed by the House and hearings on the bill are going on before the Senate Finance Committee. The clerk of that committee, Mrs. Springer, informs me that the hearings are scheduled to continue until March 24, and thereafter the committee is scheduled to go into executive session upon the bill. In its present form the bill would extend social-security benefits to attorneys that are regular employees of others—but not to private practitioners.

As a result of my own activity in the American Bar Association, I realize that the procedure for getting the association to take a position on any particular subject is necessarily of rather unwieldy nature. However, I do think this matter is of sufficient importance to members of the bar to warrant extraordinary steps by the association to insure that the Congress will be urged to take action to include private lawyers in the social-security bill, within the very near future.

However that may be, I have myself written to the Senate Finance Committee in my personal capacity to express my own views as a personal individual. For your information I enclose a copy of my statement.

Very truly yours,

OSCAR W. GIESE.

The CHAIRMAN. Mrs. Elizabeth Porter?

Mrs. Porter, you are representing the American Nurses' Association?

STATEMENT OF MRS. ELIZABETH K. PORTER, R. N., MEMBER OF BOARD OF DIRECTORS OF AMERICAN NURSES' ASSOCIATION, NEW YORK, N. Y.

Mrs. PORTER. Yes, sir.

The CHAIRMAN. Are you an officer of that association?

Mrs. PORTER. I am a member of the board of directors of the American Nurses' Association.

The CHAIRMAN. You may proceed with your statement, Mrs. Porter. We will be very glad to hear you.

Mrs. PORTER. The American Nurses' Association, which I represent, is the national professional organization of registered nurses, with a membership of more than 170,000. It has constituent associations in the 48 States, the District of Columbia, Hawaii, and Puerto Rico.

I might add, for interest, also, that at the present time there are in the United States approximately 305,300 registered professional nurses active in the field.

Our association has for some time endorsed the amendment of the Social Security Act to remove the unfair discrimination which has denied to independent professional workers and to employees of nonprofit agencies the benefits to which employees in industry are entitled. The following official action has been taken by the American Nurses' Association and by various units of the association:

1. In 1944, the house of delegates, on recommendation of the institutional staff nurses section, voted to extend social-security benefits to professional registered nurses employed in nonprofit agencies.

2. In 1946, the house of delegates, on recommendation of the private-duty nurses section, endorsed the inclusion of private-duty nurses on a voluntary basis in any new provisions of the Federal old-age and survivors insurance system.

3. In 1948, the house of delegates of the American Nurses' Association reaffirmed the endorsement of the extension of social-security benefits to include nurses.

4. In February 1949, a conference of the chairman of the State private-duty nurses sections of 48 States, after consideration of the difficulties of administration on a voluntary basis, voted in favor of the extension of the old-age and survivors insurance system to cover private-duty nurses on a compulsory basis.

5. Last month, that is, in January 1950, the members of the Advisory Council, representing State associations and the board of directors of the American Nurses' Association, voted in favor of the extension of coverage of the Federal old-age and survivors insurance system to all nurses but opposed the discriminatory feature contained in bill H. R. 6000 which would extend coverage to nonprofit institutions with the provision that the contributions of employees would be compulsory while those of the institutions would be voluntary. The board of directors also endorsed the broadening of the Federal old-age and survivors insurance program to provide for increase in the

level of benefits paid and the inclusion of permanent total disability insurance.

On the basis of the foregoing action, the American Nurses' Association at this time wishes to go on record as favoring the amendment of the Social Security Act to provide protection for the self-employed private-duty nurses and for nurses employed in nonprofit agencies and institutions, on the same basis as for other employed groups, and in favor of the principle of broadening the social-insurance program to provide for increase in the level of benefits paid and the inclusion of permanent total disability insurance.

We are in general agreement with the purpose of H. R. 6000 but we wish to register a protest against the provisions of sections 202 (b)—pages 124 and 127—and 109 (c)—page 111—of the bill to the effect that contributions of the employees of nonprofit institutions shall be paid on a compulsory basis but that employer contributions shall be voluntary, with the result that the wage credits of employees will be reduced by 50 percent if the employer does not elect to pay the tax. We believe that employees of such institutions are entitled to the same matching contributions from their employers and to the same scale of benefits as other employees, and the same terms as the participation of other employers. If this is not done, the employees of nonprofit institutions will be unjustly discriminated against in that they would be compelled to pay the same tax but would receive only a fraction of the benefits paid to employees of other employers.

In 1949 an inventory of registered professional nurses conducted by the American Nurses' Association at the request of the National Security Resources Board, revealed that there were approximately 65,000 private-duty nurses in the United States and Territories and more than 196,000 nurses employed in non-Federal hospitals and schools of nursing. Only a very small number of nurses, such as those employed in proprietary institutions operated for profit, doctors' offices, or industrial establishments enjoy the benefits of social-security coverage.

Apart from the inherent unfairness in providing a Federal scheme of social insurance for one segment of the population and denying it to another, the present law has proven a great hindrance to nonprofit hospitals and other institutions in their attempts to provide themselves with the necessary nursing personnel. Nurses who have been employed in covered positions prefer to look for similar employment rather than to accept positions in nonprofit institutions and thereby lose the benefit of all their contributions to the social-security system. The extension of coverage to such nonprofit institutions and to private duty nurses would greatly facilitate the flow of nursing resources to the point of greatest need and would thereby help to mitigate the effects of the present nursing shortage.

Maintenance of adequate nursing service is a matter of great public concern. Exclusion of private-duty nurses and nurses in nonprofit agencies from the benefits of the old-age and survivors insurance system has resulted in considerable dissatisfaction among these nurses. According to a study made by the United States Bureau of Labor Statistics in 1946, the most frequent complaint among nurses was with respect to their lack of retirement benefits and employment security. Fifty-five percent of the institutional nurses and 48 percent of private-duty nurses expressed themselves as dissatisfied with

the inadequacy of such provisions. The Bureau of Labor Statistics survey also revealed that only 20 percent of all nurses—excluding the private-duty group—were covered by any kind of retirement plan. Private-duty nurses, being a self-employed group, do not have, under the present social insurance system, any protection of this kind against the risks of old age.

Such discriminations seem particularly shocking in view of the war record of the nursing profession. Over 75,000, one-third of all United States nurses and the highest number of any profession, served in the United States armed forces during World War II. This service was given without conscription. In peacetime, also, the nursing profession accepts responsibility for answering calls from their fellow citizens during emergencies. In Red Cross volunteer service alone, between July 1948 and July 1949, 1,572 nurses served a total of 12,667 days, in 72 disasters in 32 States. In addition, nurses recruited for poliomyelitis assignments in fiscal year 1948-49 totaled 1,978.

Over a period of many years, registered professional nurses, particularly those employed in hospitals and similar institutions, did not receive pay increases to meet rising living costs as did other employed persons. At the same time, the educational and other requirements for registered professional nurses have been constantly increasing. Irregularity of employment among private-duty nurses works an additional hardship on this group. Salaries for general staff nurses employed in hospitals, but maintaining their own living quarters, as shown in a study made by the Bureau of Labor Statistics, averaged, in October 1946, $161 per month, and for those living in hospital quarters $151 per month. The average hours worked per month by these two groups were found to be 202 per month (46 per week) for the group living outside of hospitals and 207 per month (48 per week) for the group living in. The salary for nurses in private practice average $153 per month and hours of work 167 per month (39 per week). As a result, institutional and private-duty nurses are not able to make personal provision for their retirement through annuities or private insurance plans or for an accumulation of savings. Consequently, there is grave dissatisfaction among large proportions of these two groups of nurses, and the quantity and quality of nursing service are being seriously affected.

The risks of old age are essentially the same for all. In order, therefore, to protect those two large groups of the population to alleviate the nursing shortage by facilitating a more equitable distribution of nurses and by providing greater job satisfaction, and in the interests of the public welfare to insure adequate nursing service, the American Nurses' Association, official spokesman for more than 170,000 professional nurses, strongly urges the extension of old-age and survivors insurance benefits to self-employed workers and to the employees of nonprofit agencies on the same basis as for other employed groups.

Thank you.

The CHAIRMAN. Thank you very much for your contribution.

Mrs. PORTER. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Thomas Boorde?

You may have a seat, sir. Please identify yourself for the record.

STATEMENT OF THOMAS E. BOORDE, EXECUTIVE SECRETARY, GENERAL WELFARE FEDERATION OF AMERICA, INC., WASHINGTON, D. C.

Mr. BOORDE. Mr. Chairman, my name is Thomas E. Boorde, 819 South Florida Street, Arlington, Va.

I appear before you as the executive secretary of the General Welfare Federation of America, Inc., 945 Pennsylvania Avenue NW., Washington, D. C.

Our organization takes its name from that declaration in the preamble to the United States Constitution: "promote the general welfare." Our charter will permit any activity in the area of general welfare. While this is true, we have given special attention to the welfare of the old folks, in regard to pensions.

We are not receiving compensation in any way for the work we are trying to do. Actual expenses for traveling or any transaction of business for the federation is received. But, other than that, there is no compensation, financial, political, or otherwise.

In appearing before you, I do not come as a statistician or legislative authority. My position is as one going to a railway station startin gon a journey. I know where I want to go and why. I do not know the mechanics of transportation, the magnitude of the system, nor anything about the engine.

The care of the aged, which now includes the old-age pensions, is the obligation of any people or nation, especially of a people with a faith in God. Daniel Webster long ago said:

> If we abide by the principles taught in the Bible, our country will go on prospering and to prosper; but, if we and our posterity neglect its instructions and authority, no man can tell how sudden a catastrophe may overwhelm us and bury our glory in profound obscurity.

In the Decalogue, given through Moses by Jehovah, the basis of legislation for the Hebrew people, the first human relationship is—

> Honor thy father and thy mother, that thy days may be long upon the land which the Lord thy God giveth thee—

Or—

> that thy days may be prolonged, and that it may go well with three, in the land which the Lord thy God giveth thee (Deut. 5, 16).

This is the first commandment with promise. The promise includes the welfare of the land, of the country. This honor is not confined to mere sentiment but carries with it material obligations.

Our Government, with its great wealth and abundance of materials for food, clothing, and shelter, its ability for developing industry and distribution of the products, spurred by a native initiative and frugality, was never brought face to face with a consciousness of direct legal obligations to the aged until after the depression years of the thirties. Some other countries had been forced to consider this obligation before that time. In this fact, I believe we would find the reason that some of them have outdistanced us in the matter of old-age pensions.

One of the results of the depression was a realization that the Government was under such obligation. The Social Security Act became the law of the land. It was a long step in the right direction. No great legislative program can be immediately, if ever, perfect.

Now, after being in operation for about 14 years, title I of the Social Security Act, making provision for the aged, is found inadequate to the situation. Too many are not provided for at all. Too many who receive benefits find them inadequate. Many feel that the term "assistance" and the regulations imposed by law involve humiliation of the inedependent spirit which has contributed toward making America great. The operation of the law, to too great an extent, involves an atmosphere of, if not actual, pauperism. And, further, its administration by the States, in certain ways, limits the liberty of the individual.

The condition of our people, while somewhat improved—and some would not agree to that statement—the condition of our people as stated by Franklin D. Roosevelt, then President, at Grant's Field, Atlanta, Ga., November 29, 1935, still prevails, prevails to too great an extent. He said:

> National surveys prove that the average of our citizenship lives today on what would be called by the medical fraternity a third-class diet.
>
> If the country lived on a second-class diet, we would need to put many more acres than we use today back into production of foodstuffs for domestic consumption. If the Nation lived on a first-class diet, we would have to put more acres than we have ever cultivated into production of an additional supply of things for Americans to eat.
>
> Why, speaking in broad terms in following up this particular illustration, are we living on a third-class diet? For the simple reason that the masses of the American people have not the purchasing power to eat more and better food.

And a large part of this burden falls upon the old folks, who are, of course, beyond production age.

The lack of purchasing power is yet a fact. The fact that millions of bushels of potatoes are permitted to go to waste while so many people would gladly buy is one of the evidences of this fact. The enactment of an adequate Federal old-age pension would go a long way toward distributing purchasing power.

A study of the reports of various committees of the Congress, the opinions of the leading businessmen, the declarations of labor leaders, economists, and the position taken by the Social Security Board, does, in my judgment, justify the establishment of a universal Federal old-age pension. I find myself, and so do our people, agreeing with these reports in the main.

The opinion of the United States Supreme Court (*Helvering* v. *Davis*, 301 U. S. 619, May 1937) upholding the constitutionality of the provision for old folks in the Social Security Act not only declares for the constitutionality of the law but goes further in stating: "Only a power that is national can serve the interests of all."

The enactment of a Federal old-age pension law, I believe, would remove one of the greatest conflicts, or cause of conflict, from the labor situation. We accept the arguments of informed people, and among them the Honorable Arthur Altmeyer of the Social Security Board, for the extension of coverage for pension, pensions rather than assistance. It is in conformity with a statement in the report of the technical staff of the House Ways and Means Committee, Leonard Calhoun, chairman:

> While general coverage to all gainful workers will naturally involve a considerable increase in dollar costs, when costs are expressed in terms of pay roll there should be little or no initial difference, and ultimately there should be a substantial increase.

The argument that there would be considerable difficulty in establishing a Federal law covering all workers is true, but it is not an impossibility; and to establish that law now would be more simple than to establish it a number of years later. The longer the matter is deferred, the more will be the complications and the greater the difficulty encountered.

If I understand you correctly, Mr. Chairman, I believe you stated in effect, on Saturday, January 21, that if those facing this problem could begin with a clean sheet of paper, rather than correcting the present law, their task would be easier.

Gentlemen of the committee, taking the picture as a whole into consideration, as far as I am competent to judge, the time has arrived for enacting a universal Federal old-age pension law. The pension should be adequate for a reasonable manner of living. Our people advocate $100 per month per individual of established age; the age, preferably 60 years—not over 65 years.

It is our belief that such a Federal law can be formulated and passed. There are many difficulties to overcome. But we believe it ought to be done. If it is right, then it can be done. Other plans and provisions, we believe, could conform to, or find adjustment with, such a law, so that there would be no necessity for those who have vested interests or investments to lose them. There would be injury to few, if any, benefits to many; and it would, I am confident, promote the general welfare of our country.

Mr. Chairman, that is the end of the paper; but, if I might be permitted just a few comments in extension of that paper, I wish to say this: Somehow or other, as we look at the old folks, there are too few people speaking up for them. That is not so much because we have our interest in the other angles of the social-security field as it is that the old folks somehow or other have too few to speak up for them. I have here, attached to my paper, which I shall file, a statement by Dr. A. M. Lyon, director of the division of hospitals and mental hygiene for the State of Kentucky. I took this statement to one of the Congressmen from Kentucky, and consulted him about it. He was very impatient. He said, "Those fellows down there"—he didn't specify—"promised me that they would take care of that situation."

Then, again, Mr. Chairman, as we think of this matter, in our little paper we bring forth the fact that 29 old folks were starved—that is, they died of malnutrition—in 34 days in the State of Indiana. This paper is dated May 1949. (The paper is filed with the committee.) And then, as we think of these various situations, one of them right after the other, there comes to our attention this statement from the Evening Star of Saturday. This was after my prepared statement was written. This quotes Dr. Overholser as saying that over in St. Elizabeths Hospital there are between 200 and 300 sane old folks who do not belong there, who were locked up without any opportunity of defense.

If I might just state one personal experience, Mr. Chairman, I took one old man—this was sometime back—to Gallinger Hospital. The doctor examined him. He was on relief. The doctor examined him, and after he had examined him he looked at me and said, "Is this man related to you, sir?" I said "No." He had a great deal of accusa-

tion in his eyes as he said, "Well, it is the worst case of malnutrition I ever witnessed. I doubt if I can do anything."

Mr. Chairman, is it not possible for some law to be formulated and for some recommendation to go forth from this committee in behalf of these old folks too old to be included in SSA or other coverage, who are looking this way with longing eyes? They are cold; they are hungry; they are dying. And yet their rich uncle does not give them attention. They are looking for crumbs from their rich Uncle Sam's table, whose larder is so adequately provided for that millions of bushels of potatoes, millions of dozens of eggs, and other supplies are going to waste—while they are starving.

I thank you, sir.

The CHAIRMAN. Thank you very much for your appearance.

(The material filed by Mr. Boorde follows:)

AM I SICK OR JUST DISCARDED?

[Introduction by editor: In publishing the following radio address by Dr. A. M. Lyon, director of hospitals and mental hygiene for the State of Kentucky, it is with the desire to show the public some of the things we are trying to prevent in regard to the treatment of the old folks throughout the country. In our issue of December 18, we carried an article, Good Homes for Aged, in which we quoted published statements from Dr. Winfred Overholser, the Superintendent of the Saint Elizabeths Hospital here in the Nation's Capital, which would indicate that a similar treatment is occurring to some of the old folks of the District of Columbia. The General Welfare Federation, Inc., through the Welfare Reporter, is making every effort possible to assist these interested authorities to remedy these conditions. In our efforts to secure legislation to provide an adequate and honorable way in their old age, we are glad to render even a small service to any and all who are likewise interested. To that end we also invite the cooperation of every person in the country to cooperate with us by supporting our work and subscribing to the Welfare Reporter. Address by A. M. Lyon, M. D., director, division of hospitals and mental hygiene. Delivered by transcription over WHAS, University of Kentucky studios, May 20, 1944, 1:15 p. m.]

In this day and age, do we not measure the degree of success in life by the amount of wealth one has accumulated through the years? If ill health, whether physical or mental, should befall one whose fortune is huge, he would then release it all—every penny of it, to regain his health. We are apt to indulge in life's comforts and pleasures at the expense of our physical or mental health. Violation of well-established laws of physical and mental hygiene may lead to personality disorganization. Emotional stability is a prize possession—more valuable than jewels. In the majority of instances, it radiates calmness, tolerance, and dependability, and reflects the power to control and guard the best qualities of man; and, without it, intelligence loses a degree of its influence.

The average span of life is far too short. If we would take advantage of the proven principles of both physical and mental hygiene, life could be lengthened. Old age (geriatrics) invades our existence far too soon. The time to combat old age is in youth. Nothing is done to ward off old age until it arrives. As the result of unguarded indulgence, or undue stress, or unrelenting strain, it is not uncommon to see an individual, around three score years, "dying in the top." One out of every four persons who enter our State mental hospitals is above 65 years of age. Personality disorganization does not affect all of this group to such a degree that they need hospitalization in a mental institution.

We heartily endorse and approve any measure or method for the care and comfort of the aged, but we do not think that an old person whose physical condition has waned to such a degree that he needs care, while his mental faculties are up to average, should be placed in a mental institution. There are three reasons for not doing so:

1. The mental hospitals are very much overcrowded and old people do not get along well in overcrowded surroundings.

2. It subjects these aged individuals to mental anguish when they are placed in a mental hospital, knowing full well that their chief difficulty is need of physical care and not mental treatment.

3. It takes just as much time to examine one who is not mentally ill as it does one who requires mental treatment, thus, because of our limited staff, it deprives those who are mentally ill of the attention they need.

Despite the fact that there was a conspicuous reduction in the total first admissions in our three State hospitals for the mentally ill for the fiscal year ending June 30, 1943, there was a 7.75-percent increase of patients above 65 years of age. What does this signify? It is quite probable that many of these old people were sent to the hospitals in order to allow one or more members of the family to engage in war work.

Section 202.270 of the Kentucky Revised Statutes not only gives the superintendent of a mental hospital the right and the authority to return these old, harmless people to their homes, or to the county judge, or the mayor in cities of the first class, but makes it mandatory that he shall do so. Because of the overcrowded condition and limited professional personnel, it may be necessary for the superintendents of the various mental institutions to pursue the course set out in this section of the statutes.

We do not mean to imply that all persons committed to the State mental hospitals above 65 years of age do not need mental treatment. It would probably give a more thorough explanation of the facts if we put them in the following categories:

1. There are many of the aged who need mental care and treatment that are committed to our mental institutions.

2. There are quite a few aged and infirm people sent to our mental institutions because of the desire of those, whose legal responsibility it is to care for them, to rid themselves of the burden and expense of such care. In this group it is obvious that Dad or Granddad bears the brunt of the elimination. There is a tendency, as shown by the records, to have the mother or grandmother cared for in the home far more frequently than the male parent.

3. There is the group sent to the hospital by those who are the legitimate heirs to the property of the aged. Far too frequently are such aged persons sent to mental institutions—parents and grandparents—in order that relatives may come into full possession of their earthly belongings.

It may be that the aged revel in thoughts and expressions of their childhood and youth to such extent that it becomes irritating to the younger and modern generation. As the evening shadows fall there is a natural tendency among the aged to live in the memory of their distant past. Most events of the present do not register, or, if they do, it is but for a brief period; and it is not uncommon for them to forget their more recent activities.

In the process of living, the physical and mental expenditure varies in different individuals. This variation is affected only in part by environment. In general, the most forceful stabilizing influence is social and economic security. Even though such security is present, it is not always a guaranty from mental break.

Kentucky's mental hospitals have too frequently been used as a dumping ground for all forms of humanity. Many aged persons, without presenting symptoms of mental illness, have been carted off to a mental hospital, when they could and should have been cared for in the place they called home. Frequently, the aged are delivered in an ambulance—harmless and helpless, and only in need of care. Many times I have heard these old people plead to be taken home—sometimes in these words: "I want to go home; I don't want to die here." Doesn't it border on cruelty to carry an old person, whose home attachments have grown so strong over the years, off to a mental hospital, when he could be cared for at home? Within the month, I saw two old people—one 88 years of age, the other 81—both helpless and in bed, brought to one of the mental hospitals. I grant you their mentality was not as strong as it once had been, but they realized where they were, and one stated, "I was just discarded." Both patients died within a week. I have seen many of these old people, grief-stricken to such marked degree that they did not long survive. Frequently there are committed to our mental hospitals old people whose one and only act against society is well expressed in the words of one of Shakespeare's sonnets:

"That time of year thou does in me behold, when yellow leaves, or none, or few do hang upon the branches that shake against the cold. Bare ruined choirs, where late the sweet birds sang."

This music was once sweet to those who now turn deaf ears and a callow heart; who now consider it rasping and irritating. It is true that the music has lost its sweetness and quality, except to those whose fond memories are so in-

extricably entwined with what it once was and what it stood for when they sought comfort, protection, sympathy, and love in their days of childhood with its seemingly crushing events. All too frequently these fond memories are lost momentarily, and in a sudden act of impulsiveness a petition is filed and Dad or Granddad, Mother or Grandmother is "sent to the asylum because we just can't put up with him any longer; there is just no living with him." The tired frame in which the once proud flame of youth is now but a glowing ember is subjected to the ordeal of being discarded; its feeble, tremulous, and almost inaudible voice is raised in supplication, but falls on ears deafened by selfishness and a desire to shun responsibility. He is taken away—he who loves freedom and companionship—and locked up. Occasionally the petitioner becomes remorseful and decides to undo the act he committed with such callousness, but finds, upon reaching the hospital, that the ember had glowed too feebly to withstand such humiliation, infamy, and utter loneliness. The thread of life, worn thin by toil and suffering, had broken as the heart had earlier broken when cast adrift by loved ones. They can only look and say, "Soldier rest, thy warfare o'er, sleep the sleep that knows no wakening"; but within their own hearts there is an unrest caused by the constantly gnawing words: "Of all sad words of tongue or pen, the saddest are these: It might have been."

Shall we discard the tottering form whose toiling hands and radiant soul guided us through life's turbulent storm of yesteryear? "Man's inhumanity to man makes countless thousands mourn." The pattern of life in which these old folks grew up and adopted was not frustrated, as is ours, by the fashions and customs of the day.

The aged live in the past, and their chief source of happiness is in recalling the good old times that are no more; and, even though they may be a bit querulous and hard for the family to deal with, they should not be tried in court, as is a criminal, and sent away to be locked up in a hospital. It is quite probable that around one-third of the population of the United States are persons past 50 years of age. It is estimated that in 1980 the number of persons over 65 years of age will double that of today, many of whom will need care, which should be provided in homes for the aged, instead of labeling many of them as being mentally deranged. It is truly a tragedy for the aged to sense impending uselessness. It is likewise a sad thought for the aged to conclude or realize the futility of further existence. Should there be imposed on these old people, who are not mentally ill, the feeling that they may be destined to spend their last days in a mental institution? The fate of many of the aged is thus left to the discretion of the court of jurisdiction. I wonder if the courts give to their cause the care and thoughtful consideration they so rightfully deserve?

Let me give you a little story of human interest:

One midafternoon in June, I was standing at my office window, looking out, when I saw a big car drive up in front of the hospital. A handsome, well-dressed, middle-aged man, with a paper in his hand, emerged, came up the steps and went into the front office and to the information desk. He soon returned to the car, without the paper, which I knew was a commitment. As he approached the car, out stepped a man from the other side, who was also well-dressed, and appeared near the same age; they were brothers. Then they dragged from the car a stooped, wrinkled, and feeble old man. He refused to walk up the steps, and was crying and pleading as they dragged him into the corridor of the hospital. He cried, "Don't leave me here; don't leave me here; take me home. I won't sass Mary any more." Over and over he cried these words. The attendant was called to take the old man to the receiving ward. When he came to get the patient the old man continued to beg—crying and pleading as he was carried away down the winding corridor, his feeble voice becoming weaker and weaker. The fading voice of the father must have echoed in the soul of the older son, who had gone to the car, because in a few moments he rushed up the steps, pale, trembling, and all but breathless, presenting a picture of an anguished soul, suffering torture not easily described in words. He asked, "May I take Pap back home," to which I replied, "Surely." In a trembling and determined voice he said, "I'm going to take Pap back home with me, and if Mary doesn't like it, damn her, she can leave. I'm going to take care of my dad." In a few minutes the old man was brought to the front. The son did not need any help to get him into the car—he carried his father, embraced in his arms. The old man cried again, this time from joy.

Not all of the aged, unnecessarily brought to a mental institution, have the good fortune of ever getting back home, even if they do improve.

AM I SICK OR JUST DISCARDED

Used by Thomas E. Boorde, president, General Welfare Federation of America, Inc., 945 Pennsylvania Avenue NW., Washington, D. C., in appeal before the Ways and Means Committee for universal old-age pensions, appearing in company with Hon. Victor Wickersham (Democrat), Oklahoma, author of H. R. 4747, on February 26, 1946.

COMMONWEALTH OF KENTUCKY,
DEPARTMENT OF WELFARE,
CENTRAL STATE HOSPITAL,
Lakeland, Kentucky, March 13, 1946.

Mr. THOMAS E. BOORDE,
President, General Welfare Federation of America,
Washington, D. C.

DEAR MR. BOORDE: I am delighted to know that you were able to use the manuscript on "Am I Sick or Just Discarded" in making your plea in behalf of the aged people. Congress certainly should give some attention to this humanitarian and deserving responsibility.

With kindest personal regards, I am

Very truly yours,

A. M. LYON,
A. M. Lyon, M. D.,
Director, Division of Hospitals and Mental Hygiene, and Acting Superintendent.

(Printed and distributed by the General Welfare Federation of America, Inc., "Old Age Pension Group", 945 Pennsylvania Avenue, NW., Washington 4, D. C.)

The CHAIRMAN. We have one other witness listed this morning—Mr. E. S. Foster.

Mr. Foster, you may have a seat, if you please, sir. You are the general secretary of the New York State Farm Bureau Federation. Is that correct?

STATEMENT OF EDWARD S. FOSTER, GENERAL SECRETARY, NEW YORK STATE FARM BUREAU FEDERATION

Mr. FOSTER. That is correct, sir.

The CHAIRMAN. You are appearing in behalf of the Federation, Mr. Foster?

Mr. FOSTER. I am, Mr. Chairman.

The CHAIRMAN. You may proceed.

Mr. FOSTER. Mr. Chairman and members of the committee, I appreciate this opportunity to appear before your committee and set forth views of the New York State Farm Bureau Federation in favor of extending old-age and survivors insurance to farmers and farm workers.

The New York State Farm Bureau Federation is a federation of the 56 county farm bureaus in New York State having a combined membership of more than 80,000 farmers.

The basis for my recommendation: During the summer of 1944, in five regional meetings throughout the State with members of our county farm bureau executive committees, we presented facts concerning the social-security program pointing out the advantages and disadvantages of various phases as we saw them at that time.

About 300 leading farmers throughout the State participated in the discussion. An informal expression of attitude was taken. About one-half of the farmers participating favored extension of old-age and survivors insurance to farm workers. Practically all were opposed at that time to extending old-age and survivors insurance to farmers themselves. During the past 5 years the matter has been discussed a good deal in Farm Bureau circles in New York State. The discussion led to adoption in November 1948 by the official delegates in the Annual Meeting of the New York State Farm Bureau Federation of the following resolution:

> Farmers and farm workers are not now covered by social security: be it
> *Resolved*, That we urge the inclusion of this group in the old-age and survivors insurance program of the Federal Government.

In April 1949, Don Wickham, of Hector, N. Y., a fruit farmer and vice president of the New York State Farm Bureau Federation, appeared before the House Committee on Ways and Means and testified in support of extending old-age and survivors insurance to farmers and farm workers.

The official delegates in attendance at the annual meeting of the New York State Farm Bureau Federation in Syracuse, November 15, 1949, again took action as expressed in the following resolution:

> Farmers and farm workers who are helping to pay for social-security benefits for many groups are ineligible under present law to participate in the program. This phase of social security is a form of annuity insurance and is a sound protection against the possible hardships of old age and inability to earn. Such protection is no substitute for independent provision on the part of the individual for his or her old age but rather a supplement designed to provide bare essentials: Be it
> *Resolved*, That we urge amendment of the Social Security Act, to the end that old-age and survivors' insurance be made available to farmers and farm workers.

The two resolutions quoted above were unanimously adopted. Now, I don't mean to imply that these resolutions represent the thinking and the opinion of every one of our 89,000 members. They do represent the thinking of a very substantial number of good farmers who are responsible representatives of their respective county farm bureaus.

Prior to the adoption of our 1948 resolution, we held regional meetings throughout the State with executive committee members of our county farm bureaus and thoroughly discussed the social-security program with the able assistance of Dr. W. I. Myers, dean, and Prof. T. N. Hurd, of the New York State College of Agriculture. At the conclusion of each regional meeting, we took a vote of the more than 300 practical farmers who participated and we found that more than 90 percent favored extension of old-age and survivors insurance to farmers and farm workers.

The action of the official delegates of the New York State Farm Federation has not been the result of snap judgment. The problem has been weighed without emotion and the pros and cons have been thoroughly discussed.

In our consideration of the social-security program, as it might apply to agriculture, we are convinced that need does not exist for unemployment insurance in the farming business.

For the most part, unemployment is not a problem in farming in spite of the fact that there may be wide fluctuation in farm wages from time to time. Farm wages are always a compromise between factory wages and farm prices. When industrial activity is high, farm wages are high. When industrial activity is low, farm wages decline.

During periods of high industrial employment, the number of farm workers decline due to higher wages and shorter hours in industrial employment. When industrial employment declines, our farms become great blotters and absorb many of those who lose their jobs in industry. True it is that farm wages decline under such conditions, but the number of persons employed in agriculture increases.

Agriculture, unlike industry and business, cannot shut down the production line during periods of recession or decline in the price level. During such periods more employment rather than less employment occurs on farms.

Many of our leading farmers have expressed the opinion that if we are to have the type of year-around farm workers we need on New York State farms, we must seriously consider extending to these workers some of the benefits available to factory workers. It appears to us that the best thing we could extend to these workers is old-age and survivors insurance.

Farm workers: I doubt if there can be much difference of opinion concerning the wisdom of extending old-age and survivors insurance to farm workers.

Twenty-five years ago most of our year-around farm workers were young men who were on their way to farm ownership. The situation is now different. Extensive mechanization of our farming operations has not only made possible but has made necessary enlargement of our farms. In New York State we now farm one-third fewer farms and one-quarter less acreage than we farmed in 1900. In spite of this reduction in number of farms and acreage farmed, we are now producing in New York State 20 percent more than we produced in 1900. We can expect much more mechanization in agriculture in the years ahead, and undoubtedly we shall have still fewer farms but larger farm units. All of this means that a large amount of capital is now required for a young couple to establish themselves in farming in New York State under modern conditions. Consequently, a large proportion of our year-around farm workers have little hope of ever owning farms of their own. More of them are tending to become professional hired workers. In the absence of the incentive of eventual farm ownership, we must think seriously about devising ways and means whereby these workers can make more adequate provision for their old age and for their dependents.

Unfortunately, most persons do not think much about the problems of old age till they reach or pass middle life, and that is too late to develop independently a very adequate program for one's later years. There is also a tendency, in spite of the relatively high wages now paid farm workers, for these workers to completely "live up" current income. In fact, many live beyond their current income and become involved in expensive deferred-payment plans for automobiles, household equipment, and the like. Like all of the rest of us, some of these workers, through good management and good health, make savings and provide for old age, but a very large proportion do not, and they are likely to become a public burden on relief when they can no longer work and earn.

The year-around hired man, like the farmer, wants to enjoy a reasonably good standard of living—wants to provide educational opportunities for his children—and wants to enjoy a reasonably good social standing in his community.

We are convinced that extension of old-age and survivors insurance is the kind of protection these workers need most of all. Certainly, unemployment insurance has little or nothing to offer these people.

Systematic deductions from the wages paid these men, matched by employer contributions, will permit these workers to have as good a standard of living as they would otherwise enjoy, and at the same time build up some security for old age. Building some degree of old-age security through this form of annuity insurance can certainly improve the morale of workers and contribute toward greater self-respect and peace of mind.

The farm family: The best security that could possibly be devised for farmers would be that of a stable price level in line with fixed costs. Violent rise and fall in the price level is the root of most farm ills.

Because of the large amount of investment required in modern farming most farmers have to begin with a substantial farm mortgage, plus considerable indebtedness for working capital. The first objective is to liquidate the mortgage and get out of debt. If the farmer is lucky enough to have been born at the right time so that he can go through a period of good prices during his early years, he may get out of debt relatively soon and be in a position to build reserves for old age. However, if he is unlucky enough to be born at the wrong time, he may be approaching old age before the farm is paid for or worse yet, he may even reach his old age with considerable debt.

It is customary practice for the farmer and his wife to plow back into the farm business their earnings; consequently, many farmers and their wives when they reach old age have most of their equity tied up in their farm business. If they reach old age during a period of low prices and depression, they may have to sacrifice their farm at

only a fraction of its true value to get money to live on and to pay doctor and hospital bills. Such cases are tragic and in spite of working hard and saving all of their lives they may wind up in misery and desperation, too proud to accept relief, yet too poor to live without it.

In the absence of governmental policies to bring about much greater stability in the price level, the farmer who is self-employed, in a highly hazardous occupation, should have the security of old-age and survivors insurance. True it is that the benefits to be derived could not possibly give him and his dependents, in the absence of other income, a good standard of living. However, modest payments from an assured source, such as the old-age and survivors insurance fund, could help greatly in providing the bare essentials as a supplement to whatever other income he might have from personal savings.

It should be kept in mind that old-age and survivors benefits are not a Government dole—they are not relief—they are systematic payments to those who have worked hard—who have saved and who have reached old age.

The question is: Can farmers afford to pay the costs? This is an important question. Unlike 50 years ago or even 25 years ago, modern farming is keyed to cash income and cash expenditures. Gasoline has replaced oats as fuel for power on farms. In many cases the oil burner has replaced the chunk stove; electricity has replaced the kerosene lamp; artificial breeding is rapidly replacing the herd sire; taxes are increasing; expenditures for fertilizer, feed, and other farm supplies have gone up greatly as a result of higher prices and much greater use. All of these changes, while they have made great progress in food production and farm living, simply mean that farmers now have many fixed cash costs to meet.

The question arises, can the farmer meet the increased cash costs involved in providing old-age and survivors insurance for his workers and for himself? Certainly, it would be unsound for him to let his buildings, equipment, and livestock go uninsured against fire. It would be unsound for him to let his life go uninsured against premature death. It seems equally unsound for him to let his old age go uninsured against the bare essentials of food and a place to live when his earning power is gone.

If old-age and survivors insurance is desirable for farm workers and farmers themselves, and we are convinced that such is the case, then by some means or other farmers will find ways and means to meet the costs involved.

Morale builder: Of all of the industries in our country, and this applies to the great industrial Empire State, agriculture is the most basic and the most important. It will be in agriculture where we shall make our last great stand for the preservation of "life, liberty, and the pursuit of happiness," the defeat of communism and the preservation of self-respect.

I sometimes think that the greatest contribution made by our farm organizations and our Agricultural Extension Service has been that of helping farm people to be proud of their profession. Pride in one's profession is essential if one is to make his or her greatest contribution as a productive producer. The New York State Farm Bureau Federation is sure that extension of old-age and survivors insurance to both farmers and farm workers can help both toward greater pride in their professions, can add to contentment and peace of mind and can make many an old age a happy one which otherwise might be blotted with insecurity, despair, and relief dependency.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much for your appearance.

Let me ask you a question. Dr. Altmeyer, when he appeared before the committee, said that of the 6.6 million farm operators in the United States 35 percent—or about 35 percent—already have made some contributions to the old-age and survivors insurance system, and that of the 4.6 million hired farm workers 45 percent have contributed to the system, because of having held jobs at some time, intermittently maybe, in covered employment. From your experience, what is your comment upon that statement as applied to the farmers and the farm workers in New York State? Do you think it has a factual basis?

Mr. FOSTER. My observation would be, Mr. Chairman, that the percentage of farm workers in New York State that have been under covered employment would be much, much less than you have just indicated.

The CHAIRMAN. Of course, in very few instances have they become fully insured, but they may have made some contribution for a brief period. Would that be true in part at least in New York, do you think?

Mr. FOSTER. It would be true, I think, in part, but not to any such extent as you have indicated here.

The CHAIRMAN. You have, from your statement, of course, given consideration to this subject. Do you think it can be applied to farm workers, to farm labor, as a practical step, a practical matter?

Mr. FOSTER. I think it is quite possible to apply it as a practical matter on what I would refer to as our year-round farm workers.

The CHAIRMAN. The steadily employed farmers?

Mr. FOSTER. You see, we have pretty steady employment on farms in New York State.

The CHAIRMAN. I should think you would have; but that is not true, of course, in some other areas of the country?

Mr. FOSTER. Fifty-two percent of our farm income comes from dairy farming.

The CHAIRMAN. That is a steady occupation.

Mr. FOSTER. Yes; it operates the year around.

The CHAIRMAN. Yes.

Mr. FOSTER. We do have seasonal workers in fairly large numbers in fruit and vegetable production.

But I think that for the bulk of what we call our permanent farm hands, our year-round farm hands, it is quite practical to apply old-age and survivors insurance to that group.

The CHAIRMAN. And you do think that the farmer himself might come in as a self-employed person, in the system? You think that is the sentiment of the farmers in New York State?

Mr. FOSTER. As for those whom I have mentioned in my statement, that have been considering this over a 5-year period, I would say more than 90 percent believe that farmers themselves should be included among other self-employed groups.

The CHAIRMAN. I understand. Of course, that would put upon them the whole burden of insurance, the benefits, so far as that goes?

Mr. FOSTER. That is right.

The CHAIRMAN. Are there any questions?

Thank you very much for your appearance.

Mr. FOSTER. Thank you, Mr. Chairman.

The CHAIRMAN. There is one other witness that we have been asked to hear.

Senator Murray asked that Mr. O. A. Bergeson be accorded an opportunity to appear.

Is Mr. Bergeson in the room?

Mr. Bergeson, we are due on the Senate floor, but if your statement is brief, we will try and hear you this morning. You may be seated if you wish. You are the chairman of the Montana State Board of Public Welfare? Is that correct?

STATEMENT OF O. A. BERGESON, CHAIRMAN, MONTANA STATE BOARD OF PUBLIC WELFARE

Mr. BERGESON. Yes, sir.

The CHAIRMAN. You may have a seat, and we will be very glad to have your statement at this time.

Mr. BERGESON. Mr. Chairman and gentlemen of the committee, as chairman of the Board of Public Welfare of the State of Montana, I may say that I understand that a bill passed by the House of Representatives calls for bringing another 11,000,000 persons under the insurance provisions of social security. This is good, but we would be disappointed if the Congress, before it is through at this session, does not also include self-employed farmers and agricultural workers under this security provision.

Such a provision would extend coverage to about 40,000 agricultural workers in Montana. Inclusion of these people would, I believe, help reduce the tremendous sums we are now spending for needy aged people under our State program of old-age assistance. The amount expended in State and local funds for old-age assistance in 1949 was 70 percent greater than the amount spent in 1946, and unless insurance provisions become more effective the ability of the State to finance old-age assistance payments will be severely strained. As you know, under the present provisions of social insurance only a small proportion of all workers in Montana are covered, because

Montana is predominantly an agricultural State. Because of this lack of coverage, a disproportionately large number of aged persons will have to rely upon old-age assistance as time goes on.

Also, we believe that the minimum primary insurance benefit under old-age and survivors insurance, which is now $10, should be increased to at least a minimum of $30 so that the primary payment is equal to the maximum amount the Federal Government now provides for each needy person receiving old-age assistance.

It would seem proper that these sums should be consistent, and the increase of the minimum primary insurance benefit to the larger amount would have an appreciable effect on reducing current old-age assistance payments for those needy persons who now receive some help under both programs.

Briefly, we believe that the insurance provisions should cover all workers, and that the benefit payments under these provisions should come closer to meeting the needs of people, so that supplementation from old-age assistance would be necessary in fewer cases.

With regard to Federal help for public assistance, we believe that Congress should seek some way to make the funds now granted for aid to dependent children equal to those for old-age assistance and aid to the blind. The maximum of matching for children at $27 for the first child and $18 for each additional child, with no provision for matching the costs of meeting the needs of the mother or other adult relative who cares for the needy children, does not provide as much Federal help as for the other programs where the maximums are $50 for each eligible person. This discrepancy makes it difficult for the States to finance aid to dependent children on an equal basis which we are trying to do. In our State we will find it necessary to make some cut in payments already too low for these children. We hope the Congress can provide funds for this group in excess of those now provided under the Social Security Act.

We believe that Congress should also provide Federal help for unemployable people who are in need but not eligible for old-age assistance, aid to the blind, and aid to dependent children. There are people who, because of physical or mental incapacity, cannot work and who must be helped. We do not believe that the provision made in House bill 6000 goes quite far enough and that it would be better to strike out the words "permanent" and "total." While we raise some question that Federal funds should be available through these programs for needy people who are able to work but are unemployed, we do believe that there should be Federal help for persons who are not able to work because of illness, disease, or disability.

Thank you, Mr. Chairman.

The CHAIRMAN. Are there any questions?

Thank you very much for your appearance, Mr. Bergeson. We were very glad to have you.

I would like to place in the record at this point an exhibit which has been filed by Mr. Thomas G. Stack, president of the National Railroad Pension Forum, Inc., which shows the difference in benefit amounts received under the railroad retirement system and old-age and survivors insurance.

(The exhibit referred to is as follows:)

EXHIBIT A.—*Social security, railroad retirement, tax payments—A comparison* [1]

Year	Social security tax rate on $250 maximum earnings per month or $3,000 per year		Railroad retirement tax rate on $300 maximum earnings per month or $3,600 per year		Rail workers paid—		
	Percent	Total cost	Percent	Total cost	Times more	Dollars more	Percent more
1937	1	$30	2¾	$93	3.30	$69	230
1938	1	30	2¾	99	3.30	69	230
1939	1	30	2¾	99	3.30	69	230
1940	1	30	3	108	3.60	78	260
1941	1	30	3	108	3.60	78	260
1942	1	30	3	108	3.60	78	260
1943	1	30	3¼	117	3.90	87	290
1944	1	30	3¼	117	3.90	87	290
1945	1	30	3¼	117	3.90	87	290
1946	1	30	3½	126	4.20	96	320
1947	1	30	5½	207	6.90	177	590
1949	1	30	5½	207	6.90	177	590
1949	1	30	6	216	7.20	186	620
Total [2] (13 years)		390		1,728		1,338	
1950 [3]	1½	45	6	216	4.80	171	380

Year	Social security proposed tax rate on $300 maximum per month or $3,600 per year		Railroad retirement tax rate on $300 maximum earnings per month or $3,600 per year		Rail workers paid—		
	Percent	Total cost	Percent	Total cost	Times more	Dollars more	Percent more
1950	1½	$54	6	$216	4.00	$162	300
1951	2	72	6	216	3.00	144	200
1952	2	72	6¼	225	3.125	153	212½
1953	2	72	6¼	225	3.125	153	212½
1954	2	72	6¼	225	3.125	153	212½
1955	2	72	6¼	225	3.125	153	212½
1956	2	72	6¼	225	3.125	153	212½
1957	2	72	6¼	225	3.125	153	212½
1958	2	72	6¼	225	3.125	153	212½
1959	2	72	6¼	225	3.125	153	212½
1960	2½	90	6¼	225	2.50	135	150
1961	2½	90	6¼	225	2.50	135	150
1962	2½	90	6¼	225	2.50	135	150
1963	2½	90	6¼	225	2.50	135	150
1964	2½	90	6¼	225	2.50	135	150
1965	3	108	6¼	225	2.08	117	108
1966	3	108	6¼	225	2.08	117	108
1967	3	108	6¼	225	2.08	117	108
1968	3	108	6¼	225	2.08	117	108
1969	3	108	6¼	225	2.08	117	108
1970 (and after)	3¼	117	6¼	225	1.93	108	93
Total [4] (21 years)		1,809		4,707		2,898	
34 years [5]		2,199		6,435		4,236	

[1] Source: Rail Pension News, published by National Railroad Pension Forum, Inc., 1104 West 104th Pl., Chicago 43, Ill.

[2] From 1937 through 1949 rail workers paid almost 4¼ times more, 343 percent more, than those covered by social security.

[3] Present tax rates now in effect.

[4] From 1950 through 1970 rail workers paid 2.60 times more, 160 percent more, than those covered by social security.

[5] From 1937 through 1970 rail workers paid 2.92 times more, 192 percent more, almost 3 times more than those covered by social security.

NOTE.—The above exhibit A has been submitted to the Senate Finance Committee now holding hearings on H. R. 6000, for their study and consideration that rail workers should receive the same increase in benefits now proposed for those covered by social security, and has been submitted by Thomas G. Slack, president of the National Railroad Pension Forum, Inc. (a voluntary organization of union and nonunion rail workers), February 1950.

EXHIBIT B.—*Social-security benefits versus railroad retirement—A comparison*[1]

Year	Social security maximum possible	Railroad retirement maximum possible	Rail workers received—		
			Times more	Dollars more	Percent more
1937	(2)	$1,440	0	$1,440	0
1938	(2)	1,440	0	1,440	0
1939	$1,020	1,440	1.41	420	41.1
1940	1,020	1,440	1.41	420	41.1
1941	1,020	1,440	1.41	420	41.1
1942	1,020	1,440	1.41	420	41.1
1943	1,020	1,440	1.41	420	41.1
1944	1,020	1,440	1.41	420	41.1
1945	1,020	1,440	1.41	420	41.1
1946	1,020	1,440	1.41	420	41.1
1947	1,020	1,440	1.41	420	41.1
1948	1,020	[3] 1,884	1.85	864	85.1
1949	1,020	1,728	1.69	708	69.4
Total [4] (13 years)	11,220	19,152	1.70	7,932	70.6
1950	1,020	[5] 1,728	1.69	708	69.4

[2] No benefits until 1939.
[3] 20-percent increase, July 1, 1948:
Before $720
After 864
Total 1,584

[4] From 1937 through 1949 rail workers received less than three fourths more than those covered by social security.
[5] Present law.

Year	Social security, proposed maximum possible	Rail workers, proposed maximum possible	Rail workers receive[6]—		
			Times less	Dollars less	Percent less
1950	$1,800	$1,728	1.04	$72	4.16
1951	1,800	1,728	1.04	72	4.16
1952	1,800	1,728	1.04	72	4.16
1953	1,800	1,728	1.04	72	4.16
1954	1,800	1,728	1.04	72	4.16
1955	1,800	1,728	1.04	72	4.16
1956	1,800	1,728	1.04	72	4.16
1957	1,800	1,728	1.04	72	4.16
1958	1,800	1,728	1.04	72	4.16
1959	1,800	1,728	1.04	72	4.16
1960	1,800	1,728	1.04	72	4.16
1961	1,800	1,728	1.04	72	4.16
1962	1,800	1,728	1.04	72	4.16
1963	1,800	1,728	1.04	72	4.16
1964	1,800	1,728	1.04	72	4.16
1965	1,800	1,728	1.04	72	4.16
1966	1,800	1,728	1.04	72	4.16
Total [6] (17 years)	30,600	29,376	1.04	1,224	4.16

[6] From 1950 through 1966 rail workers receive over 4 percent less than those covered by social security.

EXHIBIT B.—*Social-security benefits versus railroad retirement—A comparison* [1]—Continued

Year	Social security, proposed maximum possible	Rail workers, proposed maximum possible	Rail workers receive—		
			Times more	Dollars more	Percent less
1967	$1,800	$2,016	1.12	$216	12
1968	1,800	2,016	1.12	216	12
1969	1,800	2,016	1.12	216	12
1970	1,800	2,016	1.12	216	12
Total [2] (4 years)	7,200	8,064	1.12	864	12

[2] From 1967 through 1970 rail workers receive less than 1/8 more than those covered by social security.
[1] Source: Rail Pension News, published by National Railroad Pension Forum, Inc., 1104 West 104th Pl., Chicago 43, Ill.

NOTE.—The above exhibit B has been submitted to the Senate Finance Committee now holding hearings on H. R. 6000, for their study and consideration that rail workers should receive the same increase in benefits now proposed for those covered by social security, and has been submitted by Thomas G. Stack, president of the National Railroad Pension Forum, Inc. (a voluntary organization of union and nonunion rail workers), February 1950.

The CHAIRMAN. The committee will recess until 10 o'clock tomorrow.

(Thereupon, at 12:20 p. m., the committee recessed until Tuesday, February 7, 1950, at 10 a. m.)

SOCIAL SECURITY REVISION

TUESDAY, FEBRUARY 7, 1950

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

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Lucas, Millikin, Taft, and Martin.

Also present: Mrs. Elizabeth B. Springer, acting chief clerk, and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will come to order.

Before the first witness is called we will insert in the record a letter from Mr. Cranston Williams, general manager of the American Newspaper Publishers Association, a trade association comprising almost 90 percent of the total newspaper circulation, setting forth the views of that association regarding the clarification of the definition of employment as set forth in H. R. 6000.

(The letter referred to is as follows:)

AMERICAN NEWSPAPER PUBLISHERS ASSOCIATION,
New York 17, N. Y. February 3, 1950.

Hon. WALTER F. GEORGE,
Chairman Senate Finance Committee,
United States Senate, Washington, D. C.

DEAR SENATOR GEORGE: The American Newspaper Publishers Association is a trade association comprising in its membership daily newspapers representing almost 90 percent of the total daily newspaper circulation.

In connection with the Senate Finance Committee hearings on bill H. R. 6000 calling for expansion of coverage and increased benefits under the Social Security Act, the association respectfully asks that this letter be considered by the committee as expressing its views with regard to one provision of the measure as it passed the House and is to be considered by the Senate Finance Committee, and that it be made a part of the record of hearings before your committee.

There is included in bill H. R. 6000 a definition of "employment" which is in effect based on the "economic reality" which has been so strongly advocated by some both inside and outside government as a proper substitute for the long established "master and servant" definition which traditionally and historically has worked satisfactorily up to now.

It is our hope that the committee will so amend bill H. R. 6000 as to retain the existing law requiring the employment relationship to be determined by the well-established common-law rules, or that it spell out in the law an unmistakably clear definition of that relationship along the lines of such common-law rules.

Due to the far-flung operations of the newspaper business, perhaps no other business embraces a wider spread of earning relationships. Under our many laws governing such relationships, no other business can be more harassed by uncertainty as to what the law provides. It is for this reason that we seek a clear-cut definition by the Congress of the employment status.

Such a clear-cut definition, it is hoped, will remove in large part the uncertainty as to the employment status of those with whom newspapers have various

dealings, the vagaries of administrative rulings and time and money consuming litigation.

The American Newspaper Publishers Association does not express any opposition to expanded social security and greater coverage—provided there are well-defined provisions in the law itself, not subject to alteration or redefinition by administrative agencies or the courts. It does believe that a program based upon "economic reality" rather than upon the long-accepted "master and servant" relationship will eventually create such irritation and havoc that it may finally jeopardize the entire social-security program. It does believe that the vagueness coupled with the attempted all-comprehensive nature of the definition of "employment" will in the end defeat its own purpose.

The employee status under unemployment insurance has been left to the States to determine. There has been little difficulty and little litigation in this field. States generally have conformed to a consistent pattern in determining the status under the common-law rules which prevail under workmen's compensation, torts cases, and related fields. Can the Congress not be equally realistic in its approach to the problem?

The growing administrative desire to cover self-employed has resulted in a series of administrative rulings, in some cases upheld by the courts, expounding the theory of "economic dependency" and "economic reality," the result of which has been to classify an ever-increasing number of the self-employed as employees.

This administrative effort went so far that in 1947 the Congress itself enacted laws which reaffirmed and clarified its original position by specifically defining the employee relationship under the common law which has been applicable for more than 200 years.

If the self-employed are to be covered under the Social Security Act, it is the contention of the ANPA that they should be covered specifically as "self-employed" and not as the employee of some concern which contracts for or makes use of the services which they have to offer. Employers should not be subjected to the uncertainty and difficulties of trying to determine under some nebulous theoretical definition the status of the various persons with whom they do business; employees and the self-employed also have the right to know their status as defined by law and not by administrative ruling.

The ANPA respectfully urges that the Senate Finance Committee give serious consideration to the problem posed by the definition of employment in bill H. R. 6000, and that it so amend the measure as to set forth in clear and unmistakable terms what constitutes employment and what constitutes the self-employed—and what the obligations of the employer may be to each of these classifications.

Respectfully submitted.

AMERICAN NEWSPAPER PUBLISHERS ASSOCIATION,
CRANSTON WILLIAMS, *General Manager*.

The CHAIRMAN. The first witness this morning is the Honorable J. R. Farrington, Delegate from Hawaii.

We will be very glad to hear from you, sir.

STATEMENT OF HON. JOSEPH R. FARRINGTON, A DELEGATE TO CONGRESS FROM THE TERRITORY OF HAWAII

Delegate FARRINGTON. I am Joseph R. Farrington, Delegate to Congress from Hawaii. I am appearing in support of the amendment of section 218 (d) (1) eliminating from the bill as passed by the House the provision under which local retirement systems may be covered into the Federal retirement system by a two-thirds vote of the personnel involved.

I should like to request that there be incorporated in the record at this point letters supporting this amendment from Frederick Ohrt, chairman of the board of trustees of the employees' retirement system of the Territory of Hawaii; from C. R. Kendall, executive director of the Hawaiian Government Employees' Association; and from James R. McDonough, executive secretary of the Hawaii Education Association, Honolulu.

The CHAIRMAN. Yes, sir. They will be so incorporated.
(The letters referred to are as follows:)

TERRITORY OF HAWAII,
EMPLOYEES' RETIREMENT SYSTEM,
Honolulu, February 3, 1950.

Hon. JOSEPH R. FARRINGTON,
Delegate from Hawaii, House Office Building,
Washington 25, D. C.

DEAR MR. FARRINGTON: I am directed by the board of trustees of the Territorial employees' retirement system to write you and request that on their behalf you appear before the Senate Finance Committee and urge the following amendment to H. R. 6000, the proposed Social Security Act.

Strike out section 218 (d) (1) (beginning with line 10, p. 82, to and including line 17, p. 83) and substitute therefor the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

The above amendment would exclude all public employees in positions covered by the Territorial employees' retirement system from the provisions of the proposed Social Security Act, H. R. 6000.

The employees' retirement system of the Territory of Hawaii is one of the very oldest and finest in the United States. It is a contributory system. It was recommended by Gov. Wallace R. Farrington and became effective on January 1, 1920. Mr. George B. Buck, a national authority on retirement systems, was employed to draft the statute which follows very closely that of New York and New Jersey.

The Hawaii employees' retirement system is already all-inclusive in that it includes all general employees and all teachers of the Territory. In addition all general employees of the city and county of Honolulu and all other counties are members. The latter includes all policemen, firemen, and employees of the board of water supply. Membership in the system is compulsory. The total membership is 16,000 with assets of $44,000,000. The system is actuarially sound in every way.

As no benefit will accrue to the Territorial employees' retirement system with the passage of the bill—in fact it would, in our opinion, do a great deal of harm—you are requested to appear before the Senate Finance Committee and urge the proposed amendment as referred to above.

Very truly yours,

FREDERICK OHRT,
Chairman, Board of Trustees.

HAWAIIAN GOVERNMENT EMPLOYEES' ASSOCIATION,
Honolulu 13, T. H., February 2, 1950.

Mr. JOSEPH R. FARRINGTON,
Delegate to Congress from Hawaii,
Congress of the United States, House of Representatives,
Washington, D. C.

MY DEAR DELEGATE: Mr. Nobriga has handed me your kind letter of January 23, 1950, with the information that you are to appear before the Senate Finance Committee on February 7 to present the position of the Hawaiian Government Employees' Association on amendments to section 106 of H. R. 6000.

I think it is pertinent to note that our retirement system was instituted for the Territorial employees in 1920 and subsequently expanded to take in county employees in 1928, so that today we have a total membership in excess of 16,000 and with a retirement fund closely approaching the $50,000,000 mark.

As we interpret the provisions of H. R. No. 6000, those jurisdictions which already have retirement systems may, by a two-thirds vote of said membership, signify their desire to maintain their existing retirement systems and not be bracketed under social security.

As we review this particular provision of the resolution, there is a possible danger that the employees might not understand the ramifications of this situation and as a result of the vote taken, through ignorance, place their retirement system in jeopardy. Another danger would be the fact that many of these Government employees, not taking into consideration their own safety and wel-

fare, would vote for this proposition for the primary purpose of securing the money which they have contributed to the system.

The liberalness of the Social Security Act in no way compares to the provisions of our present retirement plan and it is our feeling that it is incumbent upon each and everyone of us to safeguard it.

It is my understanding that both Mr. McDonough of the School Teachers Association and Mr. MacLaren of the Territorial retirement system have furnished you more technical and detailed information so there is no sense in my being repitious.

In closing, I personally say that I know you will do the same good job before this committee that you have been doing in Congress ever since you were elected to represent us from Hawaii.

My Aloha to you and your staff, more in particular, Mrs. Turner.

Respectfully yours,

C. R. KENDALL,
Executive Director Hawaiian Government Employees' Association.

THE HAWAII EDUCATION ASSOCIATION,
Honolulu 13, Hawaii, U. S. A., February 3, 1950.

Hon. JOSEPH R. FARRINGTON,
Delegate to Congress From Hawaii,
254 House of Representatives Old Building,
Washington, D. C.

DEAR DELEGATE FARRINGTON: Thank you for your recent letter stating that you will appear before the Senate Finance Committee on February 7 to present the views of this association with regard to H. R. 6000. This association requests that you urge the Senate Finance Committee to amend H. R. 6000 as follows:

Strike out section 218 (d) (1) (beginning with line 10, p. 82, to and including line 17, p. 83) and substitute therefor the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

The above amendment would in effect exclude all public employees in positions covered by the Territorial employees' retirement system from provisions of the proposed Social Security Act, H. R. 6000.

The employees' retirement system of the Territory is a financially sound contributory retirement system. It includes in its membership all general employees and teachers of the Territory of Hawaii and of the various counties. It is the opinion of the members of this association that unless H. R. 6000 is amended so as to exclude coverage of all public employees in positions covered by a retirement system, the passage of H. R. 6000 will pave the way for future Territorial legislation to abolish one of the finest retirement systems in the Nation.

For the members of this association I want to thank you for your assistance in this matter. With kindest personal regards and aloha, I am

Very cordially yours,

JAMES R. MCDONOUGH, *Executive Secretary.*

Delegate FARRINGTON. The present retirement system of the Territory of Hawaii was established in 1926. It now has a membership in excess of 16,000 and the retirement funds closely approach $50,000,000.

The organization whose letters I have presented represent public-school teachers and public employees of the Territory as well as our county and city and county governments.

They are in agreement in believing that the enactment of the bill as passed by the House with the provision under which their system can be covered into the Federal security system constitutes a serious threat to their system. The latter has operated successfully for a period of almost a quarter of a century.

They believe that if the bill is passed as it now stands, the Territorial retirement system might be placed in jeopardy through failure of

many of the employees to understand the ramifications of its incorporation into the Federal system.

Their leaders feel the personnel might be misled into voting for this proposition for the purpose of securing the money which they have contributed to the system without giving proper consideration to their own future security and welfare.

The system prevailing in Hawaii is one of the oldest and is regarded as one of the finest in the country.

It was established with the assistance of and is maintained in constant consultation with George B. Buck, a national authority on retirement systems who resides in New York City.

The system in Hawaii follows closely that of New York and New Jersey.

That concludes my statement, Mr. Chairman. Thank you very much.

The CHAIRMAN. Yes, sir. We were glad to have your views.

You may furnish to the reporter, there the documents that you wish to have incorporated as a part of your statement.

Thank you very much, sir.

Delegate FARRINGTON. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Hugh F. Hall?

Mr. Hall, will you identify yourself for the record?

STATEMENT OF HUGH F. HALL, ASSISTANT LEGISLATIVE DIRECTOR, WASHINGTON OFFICE, AMERICAN FARM BUREAU FEDERATION

Mr. HALL. My name is Hugh F. Hall. I am assistant legislative director of the Washington office of the American Farm Bureau Federation.

Mr. Chairman, I have a brief statement here which will set forth the views of the American Farm Bureau Federation on the question of coverage under the old-age and survivors insurance program.

The American Farm Bureau Federation is a general farm organization of more than 1,409,000 farm family members residing in 45 States and Puerto Rico.

At the thirty-first annual convention, held last December, the following resolution was approved on the subject of old-age and survivors insurance benefits:

> The Federal old-age and survivors insurance program under the Social Security Act provides a type of assistance which has become accepted as an integral part of our economic system. However, the total of direct payments by Federal and State governments to needy aged persons is constantly increasing. This trend must be changed by extending old-age insurance coverage and by establishing insurance benefits on at least a minimum subsistence level. Employees of general agricultural organizations should be covered. Farm labor should also be covered. If the extension is provided by law to include self-employed other than farmers, and is proved feasible and administratively practical, then careful consideration should be given by State and county farm bureaus to the question of the coverage of farm operators under the old-age and survivors insurance program.

Senator MILLIKIN. Mr. Hall, how are you going to prove it feasible administratively without having it?

Mr. HALL. The proposal under H. R. 6000 that was discussed by our folks is that a considerable group of self-employed, who bear some analogy to farmers, is likely to be covered if H. R. 6000 should become law.

Then, it was felt that, based on the experience that would be reflected by the coverage of the grocer and the merchant and others who are self-employed, there would be a basis on which they could determine it.

Senator MILLIKIN. What are you saying, then, is that we should try it on the others and see how it works, and then try it on the farmer? Is that right?

Mr. HALL. No; they do not go quite that far at this time. If, as of the time when the experience is observed, the farmers in their study and observation of that coverage, should feel that it is practical and feasible, then it is possible that they will come in with a resolution that they desire coverage.

Senator MILLIKIN. You want another look-see.

Mr. HALL. That is right.

Senator MILLIKIN. You want another look-see after it has been tried elsewhere?

Mr. HALL. That is right.

Senator MILLIKIN. Now, if it should not be tried elsewhere—I am talking about the proprietors and the self-employed—what would be the recommendation of your bureau so far as the self-employed proprietor-farmer was concerned?

Mr. HALL. If it is not tried elsewhere, then it remains in the study stage, as to whether it should be made applicable to the self-employed group of proprietor farmers.

Senator MILLIKIN. Does your bureau refer these resolutions back in a sort of referendum to the local organizations? Or do they result from the local organizations?

Mr. HALL. They come up from the bottom, from the grass roots and the county farm bureaus, through the State organizations to the top.

Now, I would not say that there is not some referral back, but in the sense that broad publicity is given to what the national organization has resolved.

Senator MILLIKIN. What census have you taken of the farm proprietors to determine whether they want the system so far as they are concerned, or whether they want the system so far as the farm employee is concerned?

The reason I ask these questions: At least so far as I am concerned, I have an amazingly small amount of mail or communication on this subject, either from the farm hand or from the farm proprietor.

Mr. HALL. In the sense of a poll—I take it you are using the word "census" in that sense—we have taken no poll. The structure of the Farm Bureau is such that, as they have their monthly meetings, down at the county level, or at the community level in many instances, these subjects of current interest get discussed and they get reflected in proportion to the emphasis, the interest, that there is in them, in their resolutions and expressions of that kind. I cannot say that in every State that is the case, but in most States the county and community resolutions are brought forward to the State convention, and there reviewed and surveyed, and the proponents and the

opponents have their discussion. And then the State resolutions in turn come forward to our convention, that is, to the convention of the American Farm Bureau Federation.

Now, on this particular matter there was a dearth of resolutions from the States. Out of the 45 States, I cannot recall more than 5 or 6 that touched on it.

Senator MILLIKIN. How do you account for the lack of interest on the subject? How do you account for that lack of interest?

Mr. HALL. It is difficult to account for it other than that farmers are still a pretty independent individual lot.

The CHAIRMAN. Has the matter often been discussed in your organization?

Mr. HALL. Has it been often discussed?

The CHAIRMAN. Yes, sir.

Mr. HALL. It has been discussed, I would say, since 1936, some four or five times.

Senator MILLIKIN. At all levels? Or at the top level?

Mr. HALL. Well, I can speak well only as to the top level. There are some States which have had rather intensive programs of study, but they are few.

Senator MILLIKIN. But your resolution is unequivocally in support of taking in the farm employee?

Mr. HALL. That is right.

The CHAIRMAN. All right; you may proceed.

Mr. HALL. This resolution is in support of bringing under coverage employees of general agricultural organizations. Many of these were covered under the original act, but were excluded under the amendments adopted in 1939 which gave exemption to those organizations whose income-tax status is covered by section 101 (1) of the Internal Revenue Code. The personnel of these organizations generally desire to be covered, and the organizations also support such coverage.

The CHAIRMAN. What do you mean by "general agricultural organizations"?

Mr. HALL. The American Farm Bureau Federation is a general agricultural organization, and the State farm bureaus are such, and the county farm bureaus are such; and the National Grange, of course, is a general agricultural organization.

The CHAIRMAN. You mean that you want your own employees brought under it?

Mr. HALL. That is right. As stated here, they were under it originally.

The CHAIRMAN. I understand. But I just wanted to see what your meaning was.

Mr. HALL. That is right.

The second group which we favor covering is farm labor. The reasons for the coverage of this group of workers are based on the same grounds as coverage of workers in other occupations. Coverage of this group of workers does present some difficulties; however, our members have now concluded that these difficulties are not insurmountable, in view of the benefits that will accrue. Much educational work will be necessary among both farmers and workers to keep the mechanical side of the collection of taxes from becoming overly burdensome. As experience grows, however, it is believed that these difficulties will diminish.

The third part of this resolution places our organization against the coverage of farmers as self-employed individuals. Before coverage is extended to farm operators, it is our desire that the extension of coverage to self-employed in other fields of livelihood be "proved feasible and administratively practical." This experience will then be the basis for careful consideration of the question by the membership of our organization.

Farming is a business in which many individuals are active well beyond the retirement age provided by this legislation. It has been the feeling of farmers that when they reach the years of declining activity, their savings plus their ability to earn some income through modest activities will provide them with the livelihood they desire.

That is the end of the statement we wish to make.

The CHAIRMAN. Are there any further questions?

Senator MILLIKIN. Do you have any especial statistics on the numbers of farm employees who are 65 or more years of age, and on their economic status when they reach the age of 65, and thereafter?

Mr. HALL. No, we have none. We could only go to the Bureau of the Census and the Department of Agricultural Economics for that type of information, Senator.

Senator MILLIKIN. Would you say there is an unusual amount of indigence among farm employees 65 years or older?

Mr. HALL. I wouldn't say there was an unusual amount, no.

Senator MILLIKIN. Does the nature of the work permit activity, although a slowed down activity, as a man gets old?

Mr. HALL. Yes, I think it does, very definitely.

Senator MILLIKIN. In other words, there is less rigidity there than there is in the industrial field?

Mr. HALL. Quite so.

Senator MILLIKIN. A man might be able to do some milking or some light work around the farm even if he could not do heavy work; is that correct?

Mr. HALL. Yes, sir.

Senator MILLIKIN. And that is a matter of adjustment between the employer and the employee.

Do you know of any source where we could get information on the relative situation, economically speaking, of farm employees and others at age 65 or over?

Mr. HALL. Only the Bureau of the Census, I believe. I think the census data has attempted to obtain, in the past, information relative to the income of persons in relation to age. However, I am not sure about that. I have not asked and I would have to make inquiry.

Senator MILLIKIN. Has the Bureau made any concerted effort to induce farmers to keep the elderly employed as long as it is possible, adjusting their work to their abilities to work, and adjusting their pay to the amount of their work?

Mr. HALL. You are referring to the American Farm Bureau Federation?

Senator MILLIKIN. Yes.

Mr. HALL. No, that just isn't a function of the Bureau, as a voluntary membership organization.

Senator MILLIKIN. You think that occurs rather naturally, just as a part of the business?

Mr. HALL. I think it does, yes, sir.

The CHAIRMAN. All right, Mr. Hall. We thank you, sir, for your appearance.

The CHAIRMAN. The next witness is Mr. J. T. Sanders, legislative counsel of the National Grange.

You may be seated, Mr. Sanders.

STATEMENTS OF J. T. SANDERS, LEGISLATIVE COUNSEL, THE NATIONAL GRANGE; AND LLOYD C. HALVORSON, ECONOMIST, THE NATIONAL GRANGE, WASHINGTON, D. C.

Mr. SANDERS. Mr. Chairman, I have asked Dr. Halvorson to sit up here with me, because Dr. Halvorson, who is our economist, has made an intensive study of the question and is far more conversant with it than I am.

The CHAIRMAN. You may have a seat there, Doctor, with Mr. Sanders.

Now, will you please identify yourself for the record?

Mr. SANDERS. My name is J. T. Sanders. I am the legislative counsel of the National Grange, and my duties are to represent the Grange in legislative matters.

As the legislative counsel for the National Grange, I appear before you to express the desire of Grange members to have H. R. 6000 amended so as to extend old-age and survivors programs to farm people. Dr. Halvorson, the Grange economist, who has made a close study of the application of social security to farm people will be here with me to help answer technical questions that may arise.

The Grange is organized in 37 States, and we have a membership in excess of 825,000. Because of the nature of our organization and its democratic procedures, we feel that the actions of the National Grange truly reflect the judgment and desires of its rank and file membership.

Since 1944, the National Grange has each year adopted resolutions favoring the principles of the old-age and survivors insurance program but until recently has hesitated to recommend extension of coverage to farm people because of the administrative problems involved. Because of the complexity of farm operation, farmers dislike to be burdened with red tape and bookwork; and, also, they have doubted that the Government could cope with the problem at that end.

As far back as 1944 at its annual session, the National Grange adopted a resolution favoring social security for farmers.

Albert S. Goss, master of the National Grange, in his annual address to the National Grange in the following year, 1945, said on this subject:

> Last year, the National Grange recommended the extension of social security to agriculture. The complications of seasonal employment which are inherent in the industry of agriculture make unemployment compensation very difficult to administer. Accident and health insurance are freely available through private sources. In the studies for making social security availability for agriculture, we have therefore recommended that the efforts be confined to making available old-age or retirement insurance. A great deal of work has been done to work out a practical program to accomplish this purpose. It involves benefits for the farm laborer and for the self-employment and practical methods of accounting in each case.

The delegate body of that year officially stated that the master's suggestions are well founded and that they agreed with them.

In 1946 the thinking of our members on social security crystallized into the following resolution:

Resolved, That social security be extended to include the farmer and farm worker, insofar as it applies to old-age and retirement benefits and that these benefits should be extended to farm operators if and when a practical means can be developed to make it work.

We affirmed that our 1946 position in both 1947 and 1948. In 1949, the following resolution was passed:

Be it resolved, (1) That we favor extension of coverage to farm people on a trial basis working toward the perfection of a practical plan, (2) that coverage be extended to farm people in those States adopting appropriate legislation, (3) that the executive committee be authorized to advocate the Grange stand favoring general coverage of farm people if it is satisfied that the plan proposed is workable.

Senator MILLIKIN. Mr. Chairman?

The CHAIRMAN. Yes, Senator.

Senator MILLIKIN. You say that you favor general coverage being extended to farm people in those States adopting appropriate legislation, and you say that you favor extension of coverage to farm people on a trial basis working toward the perfection of a practical plan. What have you in mind as the trial basis?

Mr. SANDERS. Well, there were some of our masters who felt that delay was unjustified, and they thought that some of the States were anxious to have it applied; that possibly it could be applied at a State level if such a measure passed in the Federal Government and it were made permissible for States to use it.

Senator MILLIKIN. You mean a trial in the several States, with the necessary background legal authority if it can be found?

Mr. SANDERS. Yes, sir.

Senator MILLIKIN. Before you extend it to the whole country?

Mr. SANDERS. That is what they had in mind. But the executive committee had felt that that was not, after studying it since, the practical approach, and therefore authorized us to support a full coverage.

Senator TAFT. The States, of course, have nothing to do with the present plan.

Mr. SANDERS. That is right. We realize that. But some of our masters felt that some way could be found to apply it in their States immediately if there was a hesitancy on the part of the Federal Government to make it have an over-all application.

Senator MILLIKIN. You have an "if" there. It reads "if it is satisfied that the plan proposed is workable." What contingencies does that confront us with? How will we determine whether you are satisfied, and how will you determine whether the farmers are satisfied?

Mr. SANDERS. Well, our statement later goes on to say why we are satisfied. It revolves around a study that was made by a special committee, and we relied largely on Dean Myers, of Cornell, who was on that committee, and Dean Young, of Purdue. And Dr. Halvorson has examined the study very carefully and can speak in detail more than I can as to that. We have found that the proposals as worked

out by this committee were practical, and that they met our requirements. As a result we were favorable to the application of it.

Senator MILLIKIN. Then these excerpts are all a part of the evolution of the subject?

Mr. SANDERS. Yes, sir; our thinking.

Senator MILLIKIN. And you now are unequivocally in favor of covering the farm owner and the farm employee?

Mr. SANDERS. Yes.

Senator MILLIKIN. And you believe a practical plan can be worked out to do it in a practical way?

Mr. SANDERS. That is right, Senator. The reason why we gave this more or less historical sketch was to show the evolution of our thinking on this.

Senator TAFT. This sounds like a plank in the Republican platform.

Mr. SANDERS. Senator, you should never say that about the Grange because we try to avoid being branded as being either Democratic or Republican.

The CHAIRMAN. It looks like you are seeking a sort of trial-and-error test, here, or else a voluntary system under which they might go in if they want to go in, and otherwise would stay out.

Mr. SANDERS. At the State level.

The CHAIRMAN. Yes, sir.

Mr. SANDERS. Yes. Well, I think that is what the masters had in mind.

Dr. Halvorson, wasn't that your opinion? You sat through the sessions.

Dr. HALVORSON. Yes, sir.

The CHAIRMAN. Suppose you go ahead with your statement. Maybe it will develop itself.

Mr. SANDERS. The executive committee has examined the methods proposed for coverage of farm people and has found them workable. Our position, therefore, is for immediate mandatory coverage of both farm workers and farm operators on the same basis as other groups. Parts 1 and 2 of this resolution were suggested as possible part-way steps in the event that general coverage did not appear to be feasible at this time.

Senator MILLIKIN. I would like to ask you the same question I asked the other witness. Since we have been talking here this morning, I have been trying to remember whether I have ever had a single communication from a farmer, owner or employee, urging this coverage. Now, I may be having a lapse of memory, but if I have had any such communications they have been so few that I cannot at the moment recall ever having received a communication from either a farm owner or a farm employee. How do you account for the lack of interest in the subject?

Mr. SANDERS. Well, we do have letters occasionally on this subject. Dr. Halvorson has received a considerable number over the last several years. We do not get a volume of mail. We rarely get a volume of mail on any subject, Senator.

Senator MILLIKIN. But, generally speaking, we Senators get a lot of mail from farmers. At least I do.

Mr. SANDERS. Well, I do not think you get a great deal of mail from Grange membership, though. It is really against the Grange policies

to try to encourage our membership to write to Congress. We have never conducted a campaign or sent letters out to try to get our membership to write Congress on any subject that we are favorable to.

Senator MILLIKIN. Oh, sir, they are self-starters in my State. You ought to hear what they have to say about reduction of taxes, for example, and balancing the budget.

Mr. SANDERS. Well, Senator, that makes us feel good, because we do feel we are quite democratic. We do not try to press them from the top; and they are self-starters at the bottom.

Senator MILLIKIN. It makes me feel good, too.

Mr. SANDERS. Let's see. Did I answer your question?

Senator MILLIKIN. You answered it.

Mr. SANDERS. Some of the States felt that extension of coverage was particularly urgent and that if Nation-wide coverage could not be immediately obtained, that the opportunity to come under the program should be offered on a State-by-State basis. Moreover, the thought was that perhaps farm coverage could be tried out on a limited scale. The executive committee, however, is convinced that the proposed methods for general coverage are feasible; that a limited trial is not necessary, and that State-by-State coverage under a national program is probably not practicable.

We have examined the proposed social-security tax returns for farm operators and found that it would not be burdensome for a farmer to file his social-security returns once he had his income tax calculated. With the present income-tax filing requirements of $600 of gross income, most people who are in the business of farming are under the income tax, and thus coverage of farm operators is a relatively simple matter.

Senator MILLIKIN. Why do you approve the income-tax method, rather than applying the stamp plan to the employer?

Mr. SANDERS. The stamp plan? You mean for farm labor?

Senator MILLIKIN. We are talking about the farm owner. Then we will talk about the farm laborer. You apply the stamp tax plan to the farm laborer?

Mr. SANDERS. Yes, sir.

Senator MILLIKIN. Why not apply it to the farm owner? He can buy stamps and put them in his books as well as anybody else.

Mr. SANDERS. Well, the farm laborer gets his income regularly and in specified amounts, whereas the farm operator, on a net income basis, cannot calculate his income until the end of the year.

Senator MILLIKIN. Why should the farm owner have his insurance vary according to his income?

Mr. SANDERS. His net income?

Senator MILLIKIN. His net income. Why should he? Supposing he has a completely bad year? Supposing he is hailed out? Supposing he is flooded out? Supposing he is out by reasons of pests—not political pests, but other kinds of pests. Should he have no opportunity to build up an insurance value in that kind of a year? If he holds an ordinary insurance policy, he keeps that up, or does the best he can to keep it up. Why should we not provide him with the same opportunity in this system?

Mr. SANDERS. I think we should. We advocate that in that case he should be allowed to pay on the basis of a minimum of $400 for that year.

Senator MILLIKIN. I see. Thank you very much.

Mr. SANDERS. That is regardless of his net income, to maintain his status.

The coverage of hired farm workers is similar to the coverage of workers of small establishments under the present program, and reporting for this group has been satisfactorily accomplished. We believe that a combination of the present method and a stamp plan would be a practical way of covering hired farm workers and would not be an undue burden on the employer.

It is apparent from the above that the National Grange has favored the principles of the old-age and survivors insurance for farmers since 1944.

Senator MILLIKIN. May I ask you another question, please? What affirmative steps have you taken to find out whether the farm employee wants to come under this system?

Mr. SANDERS. I will have to ask Dr. Halvorson for that information.

Senator MILLIKIN. The members of your organization are mostly farm owners, are they not?

Mr. SANDERS. That is right.

Senator MILLIKIN. They are all farm owners, are they not?

Mr. SANDERS. Not necessarily. A tenant may belong to the Grange; and I suppose we have a comparatively small membership, I would guess maybe 15 or 20 percent of our members, that are tenants.

Senator MILLIKIN. Now, what steps have you taken of an affirmative nature to find out whether the farm employee wants to come under this system?

Mr. SANDERS. Dr. Halvorson?

Dr. HALVORSON. Well, I don't know that we have done anything. But we are speaking for our members here, and they feel that it would be desirable to have the farm worker covered for his own good, and they believe in the program as a general principle, too.

Senator MILLIKIN. Well, of course, their solicitude is admirable. But the farm employee himself has a stake in the business, and some way or other we should get some kind of a voice from him as to whether he thinks it is good.

Mr. SANDERS. That is possibly true. I would say we have considerable membership that undoubtedly are farm workers, just hired men. Because anybody that is interested in agriculture and is above 16 years of age can join the Grange. And therefore we do have a farm laborer membership, of course. These policies of the Grange arise in the local Grange and the Pomona or county Grange and the State Grange and come to the national in that way.

Senator MILLIKIN. I am not depreciating the ability of your members to have a pretty good consensus of what people are thinking about in the business, but so far there is a gap in what the farm employee directly, out of his own initiative, and out of his own heart, thinks about this thing.

Mr. SANDERS. There is one thing to keep in mind, Senator, with regard to the farm worker: that by far the great majority of farm workers ultimately become tenants and later owners. And, of course, most of the farm laborers therefore are anxious to build up their status on the tenure ladder.

And I believe that there is no distinct class of farm workers that have a distinctive thinking. In other words, they are an integral part of the whole mass of agricultural pepole and think like they do, and represent themselves in the same channels.

So I believe that there is no great need for testing out the thinking of the average farm worker; although we have not done that as such. We have taken it for granted that since all people living in rural communities can and do become members of the Grange, our policies which grew out of those local units do represent the thinking of all groups.

Farm people need this insurance protection for their old age and their families' future, and they have as great a right to it as any of the presently covered groups. They should not be singled out and put in the position of being the only major group which has no recourse to the insurance system; the only major group which has to rely upon public assistance as its first and primary protection against these hazards.

We recognize that the old-age and survivors insurance program is not only for the old folks, but also a protection for their dependents. Farmers are very familiar with insurance and carry insurance against all kinds of calamities. The greatest calamity of all, however, that can come to a farm family is loss of the breadwinner and surely there should be insurance to mitigate the consequences of that even whenever and wherever it occurs.

We look upon the old-age and survivors insurance program as a budgeting device which will help farmers or even compel them to do something they ought to do but might easily put off. Farmers should have insurance protection for their families, and should help provide for their old age. To the extent that the old-age and survivors insurance program enables people to buy insurance protection who otherwise could not or would not, and thus provide for calamity and old age to that extent we are decreasing the burden that falls upon the Government and taxpayers. In States where funds for public assistance come in large part from property taxes, the burden falls especially heavily upon farmers.

Senator TAFT. Mr. Sanders, this stamp plan for employees is to a large extent optional. That is, I take it that an employee would have to apply for a book, and if he never did apply for a book he never would be covered. Is that right?

Mr. SANDERS. I would like to ask Dr. Halvorson to answer that.

Dr. HALVORSON. Well, I think it would be made compulsory. And it would be voluntary that the stamp could be used, or else the reporting system now used by small businesses. But every farm worker would have to be covered under the program. It wouldn't be voluntary.

Senator TAFT. It would not be optional?

Dr. HALVORSON. That is right.

Senator TAFT. What do you think of an optional coverage for both? That is to say, once you get in and buy the book, all right. Then you are in. But if you do not want it, you do not get it. The same with farm owners; it should be put up to them clearly, so that they make the decision, and presumably it would be advantageous for them to do it. But what is your objection to an optional form?

Dr. HALVORSON. Well, I think the question that might be raised would be as to the administration.

Senator TAFT. I understand that, but what I was thinking of was the farmers' attitude, what they would think of an optional plan as compared to a compulsory plan. You speak a good deal about trials. A trial might be made by making it optional for the time being, at least, to see how it worked that way.

Dr. HALVORSON. At one time we did favor a voluntary coverage, but the question was always raised as to whether or not it would be at all workable; and rather than to ask for voluntary coverage and not get it, because of the answer that it is not workable, we figured that the compulsory coverage would have some advantages over the voluntary, and that therefore there would be better chances of getting it if we asked for it on the compulsory basis.

Senator TAFT. You still do not answer the question as to whether you think perhaps it might be better to have it on a voluntary basis; I mean, whether the farmer himself would rather have it on a voluntary basis. That is the question I am asking, rather than the technical question.

Dr. HALVORSON. I believe that the farmers would prefer to have it on a voluntary basis, because then those who did not want it would not be compelled to have it, and those who wanted it could get it. Then you would satisfy everybody, or practically so. I would say that definitely the voluntary basis would satisfy more people if it would be workable.

Senator MILLIKIN. If you are going to go into this system—and let us assume the basic virtue of the system for the purpose of discussion—you cannot allow people to determine their own insurance risks. In other words, everyone that was a real insurance risk would at once rush into this system, and those who were very young and full of health wou'd not bother with the system, with the result that you would be loading your system with bad risks. Is that not correct?

Dr. HALVORSON. That is right. That is why we withdrew.

Senator MILLIKIN. Now, further, in the farm field you have this enormous in-and-out that comes from migrant labor, and if you allowed people to go in or not go in or decide today to go in and decide tomorrow to go out, you would have unbelievable confusion, so far as the coverage, at least, of in-and-out farm workers was concerned; would you not?

Dr. HALVORSON. That is the reason why we thought that the objections to a voluntary plan were well-founded—for the very reasons that you state. And it certainly is true that the old people, who would only have to contribute for a short time, and would get large benefits, would go into the program, whereas the younger people would stay out.

Mr. SANDERS. There is another thought there, too, Senator, that it seems to me would militate against the use of the voluntary plan pure and simple. After all is said and done, the people who really need this worst are the people who probably would not take it. And the people that cause the heaviest public assistance burden are those that would not take it, if you put it on a purely voluntary basis. So that the greatest service would not be rendered with a voluntary basis, it seems to me. And it seems to me that that would be an

argument for making it an over-all coverage rather than a voluntary basis.

Senator MILLIKIN. Then to the extent that people do not come in, if they make an unwise decision and reach retirement age, if their decision has been unwise, you have to make good their mistakes by public assistance; is that not correct?

Mr. SANDERS. By public assistance. That is right.

Senator MILLIKIN. And the farmer pays the burden, as a taxpayer, of public assistance.

Mr. SANDERS. That is right.

Senator MILLIKIN. One of the virtues of what you are proposing—I do not assume you have overlooked it—is that the farmer shifts a part of his burden as taxpayer to the special contribution system that carries the insurance.

Mr. SANDERS. Under this plan?

Senator MILLIKIN. Yes; that is right.

Mr. SANDERS. That is quite true. I think the assistance basis per dollar of benefit paid farmers costs farmers a great deal more than this would cost them.

Senator MILLIKIN. And it has not escaped your mind that if we fail to preserve the integrity of the dollar the farmer will not get any protection out of the insurance system.

Mr. SANDERS. Well, he will get very much reduced protection, as most of us who are carrying life insurance realize.

Senator MILLIKIN. Exactly. And if the same processes continue, he could wind up with no protection; is that not correct?

Mr. SANDERS. That is right; with a much-reduced protection.

Senator MILLIKIN. Are you folks aware of the fact that, while we are in a state of deficit financing, the money in the insurance system is paid out for general revenues, and that later on the taxpayer, including the farmer, of course, will have to make that good?

Mr. SANDERS. Oh, yes. We realize that. That may be one way of getting this on a finance-as-you-go basis if we use the funds to reduce our debts now; and, as we build up the requirements for coverage, we will finally get on a basis where we are practically raising it from one group and paying it to another group; which will be practically a pay-as-you-go basis.

Senator MILLIKIN. Our Senate Advisory Council estimates about 7 years, is it, Mr. Fauri, before we will be on a pay-as-you-go basis? Did not the Senate Advisory Council state in effect that in about 7 years we will be on a pay-as-you-go basis?

Mr. FAURI. Yes; with a 1½-percent tax.

Senator MILLIKIN. With a 1½-percent tax.

The CHAIRMAN. All right. You may proceed, please, sir.

Mr. SANDERS. The benefits of the old-age and survivors insurance program would be especially attractive to farmers. In case a farmer or farm worker dies or is disabled in an accident, the family needs a reasonable income on a dignified basis fully as much as do the dependents of workers in other industry. Figures show that farming is a hazardous occupation resulting in many permanent disabilities and with about 4,500 workers killed each year in occupational accidents. From all types of accidents, about 19,500 farm people—all sexes and ages—are killed each year. This is more than six people killed for each county of the United States. We do not have

figures on the number of farm-family heads who die prematurely from disease or natural causes each year, but the number is, of course, much higher than the number who die from accidents.

Farm families should not be deprived of the benefits of the old-age and survivors insurance program; and the cost of commercial insurance for equal benefits would be prohibitive. Farm families are large and farm women are probably less able to find good-paying jobs in case the husband dies than urban women.

It is sometimes said that farmers do not need the old-age and survivors insurance program and that they cannot afford it. There is even more reason to have this protection for the family than to have insurance against fire, windstorm, and hail.

Figures show contrary to what one might expect, that the burden of public assistance is greatest in the more rural States.

I believe that answers the question that you raised, Senator Millikin, with the other witness.

Thus farmers pay for the absence of old-age and survivors insurance protection not only in insecurity but in higher taxes to support public assistance.

Employers of farm labor pay for the absence of their protection in yet another way—less productive workers. We hear complaints that usually the best workers go to jobs where they can get the protection and farmers get the leavings of the labor market.

The CHAIRMAN. That is not the sole reason for it, though, is it?

Mr. SANDERS. What is that, sir?

The CHAIRMAN. Is not the primary difference in the wage paid?

Mr. SANDERS. Well, that is only part of it; yes. But this can be a part of the remuneration or the consideration that would cause a man to take a job elsewhere than on a farm.

Senator MILLIKIN. Is it not also part of the general migration of young people off the farms and into the cities?

Mr. SANDERS. Yes; that is quite so. We have 500,000 of them that leave annually. It is simply because we have a higher birth rate and are increasing our efficiency on the farm that we do not need the total number of people that are born on the farm and live on it to maturity.

Senator MILLIKIN. And does that not sharpen up the point of several of your observations here? The old-type farm family was a pretty big farm family. I mean, they figured on children, and the children would help, as they grew up and in an increasing degree they lived as a complete economic unit; and when the old folks got old and disabled, the younger folks took care of them and kept operating the farm. Whereas nowadays a lot of the young people that would fit into that old-fashioned process do not fit because they are not there. They are in town. Is that not right?

Mr. SANDERS. Yes. I suppose pretty close to a half of the boys and girls that are born and reared on farms do that very thing—leave and find employment in cities.

Senator MILLIKIN. I mean, up ahead here you talk about the difficulties that a widow has on the farm. Well, in the old days—I am not prepared to say always, but out of personal observation I know that in the old days—where there was a large family, that was not any problem at all. The widow stayed on the farm. The sons and daughters kept the farm going and, of course, did not let the mother starve.

Mr. SANDERS. That is true, especially where the children are of an age where they can work on the farm. And there is always an opportunity for making a child on the farm an economic asset rather than a liability, and without doing a great deal of harm to the child. The type of work is a type such as he can do.

Most of the provisions of H. R. 6000 seem to be acceptable when applied to farm people. We do believe, however, that the bill should be amended so that older persons in the newly covered groups would find it easier to qualify. We favor the recommendation of your Advisory Council for—

a new start in the eligibility requirements which will require the same qualifying period for an older worker now as was required for a person who was the same age when the system began operation.

Appended to this statement are the amendments to H. R. 6000 which we favor. They would accomplish the coverage of farm people and would effect our recommendation on eligibility requirements.

Now these various amendments, as you realize, are those portions that exclude farm people from the operation of the bill.

The CHAIRMAN. I take it that the Grange approves the permanent and total disability insurance provision of H. R. 6000?

Mr. SANDERS. Let me ask Dr. Halvorson to answer that.

Dr. HALVORSON. Well, the Grange has never taken specific action on that; but from talking with some of the State masters at the annual session, I would at least say that if it is workable to have disability coverage they would certainly believe that the need is just as great in the case of disability of a head of a young family as it is to provide for old age.

The CHAIRMAN. I think it would be as workable in the case of farmers, farm operators, and farm workers, if they are covered. Assuming that you find some practical way of doing it, and they are covered, you could certainly apply the principle of total and permanent disability, as you could in the case of any workers in industry.

Dr. HALVORSON. Our testimony indicated that we were concerned with the problem that arises from accident.

The CHAIRMAN. Yes; I take it you are. And I assume that you generally approve of that provision, as well as the other provisions of H. R. 6000, when you ask to have come under H. R. 6000 the farm operators and workers. And I take it that you are approving also the provision, which is a new provision to the present law, including those permanently and totally disabled, as to procuring their benefits.

Dr. HALVORSON. The only question we would have is whether too much abuse would come in under it.

The CHAIRMAN. That would be true in all cases.

Dr. HALVORSON. Yes.

Senator TAFT. I notice the difference in your statement, as compared to that of the Farm Bureau, relates to the self-employed farmer. What would be typical payments made on a farmer as compared to a workman? Supposing he is paying a workman, we will say, $2,000 a year, and the tax would be 3 percent, or $60 a year. Now, how would the tax work out on the individual farmer? What would an average farmer in Ohio, say, pay on a hundred-acre farm, or one that would average between 100 and 150 or 160?

Mr. SANDERS. That is rather difficult to say; and, of course, you realize that depends upon the condition of agriculture in general.

Senator TAFT. It is a question of whether the farmer is going to pay any tax comparable to that paid by the employee.

Mr. SANDERS. I think I have something that might help to answer that, Senator Taft. We have calculated figures indicating the comparative income of farm operators as compared to that of industrial workers. And we found from 1920 to 1939, I believe the figures are, that the average farm operator had two-thirds as much left over to pay himself for his personal services after he paid the cost of operating his farm as did the average industrial wage worker during that period. In other words, he earned for his labor, net, two-thirds as much as the average industrial wage earner. That might answer fairly closely your question.

Senator TAFT. On that, unless they pay 1½ percent—or is it 2 percent?

Dr. HALVORSON. The farmer at the beginning of the program would pay two and a quarter percent.

Senator TAFT. You mean the self-employed farmer?

Dr. HALVORSON. Yes; the farmer would pay the employer rate and a half of the employee rate, or the other way around. But he would pay 1½, or you could say it more simply, 1½ the employer rate, for his own self-coverage.

The CHAIRMAN. He would pay all of his own insurance and half of his worker's insurance. If you bring him under this system, he would, of course.

Senator TAFT. But what I am asking is as to himself, the employee. The average workman, I think, today makes around $3,500 or $3,600, or something of the sort, in this country. Now, if the farmers are making two-thirds of that, that would be around $2,600, or something like that.

Dr. HALVORSON. Yes; probably a little less than that.

Senator TAFT. On that you would only collect a tax of two and a quarter percent, whereas on the average workman you would be collecting a tax of 3 percent. Is that not correct?

Dr. HALVORSON. Yes; on the total, taking the employer and employee contribution in the case of the employee, it is 3 percent.

Senator TAFT. And what would the benefits to the self-employed farmer be based upon?

Dr. HALVORSON. It would be based the same as it is for the employee. He would get full benefits under the schedule set up.

Senator TAFT. Full benefits based on this net-income concept that you speak of? Or is the Federal income tax method?

Dr. HALVORSON. The basis for the social-security tax would be more or less as net income from farming. And you would not separate the part that would be ascribed to labor, his labor. It would be the total return from his farming business, more or less.

Senator TAFT. Well, I just wondered on what basis they take 2¼ percent as compared to 3 percent on employees.

Dr. HALVORSON. Well, that is the rule applied to all the self-employed in the bill. And there are a number of reasons given for that. One is that if you charge the double rate on the self-employed, the benefits would not be as much as the person could get under private insurance, for example.

Senator TAFT. You mean the Government's is more expensive?

Dr. HALVORSON. If the rate on the self-employed was made double, yes; so that he had to pay both the employer and employee rate for himself.

Senator TAFT. The reason for this is just to compete more successfully with private insurance? Is that the purpose?

Dr. HALVORSON. No. But that is one of the factors to make it more fair among all the people that would be covered. And also there is the feeling that the self-employed probably cannot pass the cost on, in the price structure, to the same extent that it is possible in these institutions, or the business establishments, that are now covered.

Mr. SANDERS. I would like to make a statement on that, Senator. I believe it is definitely true that the farmers pay a great deal of the general cost of this social security in the price of the things that they buy. Now, if they could pass on the cost of their own insurance, in case we give them the insurance privilege, as do other industries, that would be fairly equitable. But I think you would agree that farmers just cannot pass on costs of that kind as readily as can industry.

Senator TAFT. Yes, I think that is true.

Dr. HALVORSON. That is what I had in mind in saying that the cost can be passed on in the price structure.

Senator TAFT. But is that true of the self-employed, in general?

Mr. SANDERS. I do not think it would be as true of other self-employed as it is of farmers.

Senator MILLIKIN. A professional man, for example, or a grocer, depending upon the status of his competition, can pass on his costs.

Senator TAFT. Of course, if all other grocers would have to pay it, he can.

Dr. HALVORSON. In the case of an employee, the employer pays half of it, so that the employe is still getting a very good bargain for what he is explicitly putting into the social-security fund; and therefore when the self-employed comes in, he ought to get at least some consideration for the fact that he is paying the whole load himself. That is why, as I understand it, the rate was reduced to 1½, rather than the full double rate.

Senator MILLIKIN. In the highly organized industries, as a practical matter, the employee does not pay. That is absorbed in the bargaining process, that is, in addition to his pay, and reflects in the net take-home, which is what they are interested in. In other words, the employer pays, and he adds it to the cost of production. So all pay.

Senator MARTIN. Mr. Chairman, may I ask a question?

The CHAIRMAN. Senator Martin.

Senator MARTIN. Maybe you brought it out. I notice that your Grange is organized in 37 States. In the 37 States where you are organized, what percentage do you have of the farm owners in the Grange, approximately?

Mr. SANDERS. I am not sure that I understand your question. Do you mean the total farm owners in the State? Or what percentage of our members are farm owners?

Senator MARTIN. I would like to have the percentage. Take Pennsylvania, for example. We have 171,000 family-sized farms. What percentage of those men belong to the Grange?

Mr. SANDERS. It is very high in Pennsylvania, but I do not recall the membership in Pennsylvania. It is, I would say, about the fourth largest State.

Senator MARTIN. Is it 25 percent of the owners in the family-sized farms that belong to the Grange?

Mr. SANDERS. I would think so, in Pennsylvania, yes, sir.

The CHAIRMAN. We thank you very much, sir.

Mr. SANDERS. Thank you, gentlemen.

(The amendments contained in the appendix to Mr. Sanders' statement are as follows:)

AMENDMENTS TO H. R. 6000

1. Extension of coverage to farm operators and hired farm workers

On page 35, strike out lines 16 through 21; strike out "(B)" on line 22 and insert in lieu thereof "(1)"; and renumber the succeeding paragraphs, and change cross reference, accordingly.

On page 46, strike out lines 1 through 25; on page 47, strike out lines 1 through 24; on page 48, strike out lines 1 and 2; and redesignate the succeeding subsections, and change cross references, accordingly.

On page 52, strike out lines 12 through 17, and renumber the succeeding paragraphs, and change cross references, accordingly.

On line 18, page 79, strike out "agricultural"; on line 19, page 79, strike out "labor, domestic service," and insert in lieu thereof "domestic service."

On line 23, page 81, strike out "agricultural"; on line 1, page 82, strike out "labor, domestic service," and insert in lieu thereof "domestic service."

On page 137, strike out lines 16 through 21; on page 137, line 22, strike out "(B)" and insert in lieu thereof "(1)"; and renumber the succeeding paragraphs, and change cross references, accordingly.

On page 147, strike out lines 3 through 24; on page 148, strike out lines 1 through 25; and on page 149, strike out lines 1 through 5 and insert in lieu thereof the following:

"(d) Section 1426 (h) of the Internal Revenue Code is hereby repealed."

On line 9, page 149, strike out "(1)" and insert in lieu thereof "(h)."

On page 154, strike out lines 23 through 25; on page 155, strike out lines 1 through 3; and renumber the succeeding paragraphs, and change cross references, accordingly.

On page 100, on lines 4 and 5, strike out "(a) (2), (a) (8)" and insert in lieu thereof "(a) (7)."

2. Insured status

Page 62, strike out "1936" in line 9 and insert in lieu thereof "1950."

Page 62, strike out lines 15 through 18 and on line 19 strike out "(C)" and insert in lieu thereof "(B)."

Page 62, strike out lines 21 and 22 and insert in lieu thereof "paragraph (A) any quarter any."

Page 74, line 8, insert, "subject to the provisions of paragraph (4) of this subsection," after "shall."

Page 74, after line 22 and before line 23 insert the following new paragraph:

"(4) The determination whether any individual who died prior to 1951 was insured for purposes of benefits under title II of the Social Security Act shall be made under subsections (g) and (h) of section 209 of such act as in effect prior to the enactment of this act."

The CHAIRMAN. Mrs. Charles Wagner?

Mrs. Wagner, I believe you are appearing here for Mr. Thomas B. Keehn, who is the chairman of the National Citizens Council for Migrant Labor.

STATEMENT OF MRS. CHARLES WAGNER, EXECUTIVE SECRETARY, NATIONAL CITIZENS COUNCIL FOR MIGRANT LABOR, WASHINGTON, D. C.

Mrs. WAGNER. Yes, sir, I am. He could not be here today.

The CHAIRMAN. Please identify yourself.

Mrs. WAGNER. I am Nancy Wagner, executive secretary of the National Citizens Council for Migrant Labor. The council was or-

ganized 3 years ago by a group of organizations and individuals to improve the conditions of migrant workers. The Reverend Thomas Keehn of the Congregational Church is chairman of the council and Dr. Paul Taylor, professor of agricultural economics at the University of California, is honorary chairman. I wish to testify on behalf of the council on the social-security needs of migrants and all agricultural workers where we have learned that the problems of migrant agricultural workers cannot be separated from those of other farm workers.

The social-security revisions passed by the House last session as H. R. 6000 failed to give protection to one large group of United States families, farm families whose welfare is of basic importance to the well-being of the Nation. These 4,000,000 families who earn their living by producing raw materials to feed, clothe, and shelter city families receive few, if any, of the benefits of the social-security system.

Yet these farm families are among the least able to lay aside for their old age, for support of their dependents, in case of death, or for sudden emergencies. As Secretary Brannan says, "The average farmer is a low-income farmer."

About half of all the families in agriculture, including the farm operators, the tenants, the sharecroppers, the hired workers, and the migrant seasonal help, made less than $2,000 in 1948 from both farm and part-time nonfarm work, the Bureau of the Census estimates.

Senator MILLIKIN. Does that figure take acount of keep? Would you have to add the value of the keep to that figure?

Mrs. WAGNER. That figure was just cash income, but cash income is all the migrant seasonal help get, because in most cases they are not paid their keep. Sometimes they are given housing.

One-fourth of all the families in agriculture received less than $1,000 that year, a year of farm prosperity. How many families could afford to save enough for retirement or to tide them over a bad emergency on that kind of a budget?

The social-security tax would not place too heavy a drain on the farmer's budget, yet the benefits the tax helps pay for would keep these hard workers from the charity rolls. Actually many of the farm families have helped pay for social-security benefits. The Social Security Administration estimates that almost one-third of all hired farm workers have contributed to the insurance system during nonfarm jobs but are not insured.

Without social security old-age insurance, the alternative for many farm workers is the humiliation of charity. Today about 52 percent of the public old-age assistance load falls upon rural counties, counties with less than 50 percent of the country's population, the Federal Security Administration estimates. In many agricultural States twice as many people receive old-age assistance or charity as receive old-age insurance benefits, benefits to which they have contributed. In both Georgia and Colorado, States with large rural populations, more than 400 out of every 1,000 persons over 65 are receiving old-age assistance. On the other hand, in Connecticut and New York fewer than 100 persons per 1,000 aged are on the rolls

The cost of the exclusion of agricultural workers from social-security insurance is not borne by the aged alone. The children of the many farm families whose main breadwinner has died without

the protection of survivors' insurance pay the price of exclusion also.

One of our favorite examples is 11-year-old Felix Coronado, of Hidalgo County, Tex., one of those children who will pay all their lives. Felix had tried so hard to keep on attending school after his father died of tuberculosis. He had worked after school and on Saturdays in the fields picking cotton, transplanting cabbages, and harvesting vegetables with his mother. Together they earned $86 the first year and supported the four younger children. But then the baby had an attack of pneumonia, the second that year, and Mrs. Coronado could not leave him to work. Felix had to leave school. After the baby was better, it was just too much of a struggle for him to go back. "He was doing so well in school," his mother regretfully told one of our members.

Felix Coronado is just one example of hundreds of farm children who suffer because of the death of the family's chief wage earner. These families, unlike most city families, receive no help from social-security insurance, yet they have a higher proportion of children than city families.

Senator MILLIKIN. Do they not receive local help?

Mrs. WAGNER. In some cases they do. In the case of the migrant workers they do not, because they have not lived there long enough. Usually the States have difficulty enough paying for their own people, and have put in residence requirements.

To include the agricultural workers under old-age and survivors insurance today does not seem as technically impossible as it did when the whole idea of social security was being formulated. The administrative system proposed last year answers the bookkeeping objections, I believe.

The council asks that the Social Security Act be revised to include agricultural workers in its old-age and survivors insurance system because the council believes that migrant workers and all farm workers do not need special-benefit programs but they do need to enjoy the same protections offered other United States citizens.

There are other provisions in the Social Security Act which concern migrants and other agricultural workers. The Federal grants in aid to State assistance, health and welfare programs are of special importance to the welfare of farm families because it is service to these families which is most often cut from State and county budgets for lack of funds.

No State in the Union provides a well-rounded health and welfare program for all its rural families. The council asks that the appropriations for grants-in-aid to the States under title V of the act be increased to help the States reach all their families with maternal, child health, crippled children and child-welfare services.

The council also asks that the Social Security Act be extended to give Federal grants-in-aid to the States to help them care for all needy persons. As it is now, few communities have enough money to give general assistance to both their own needy residents and to the agricultural worker temporarily stranded in their midst. The migrant farm family must face emergencies alone. An accident to a migrant worker can upset the family's close budgeting, for in only five States are migrant workers protected by workmen's compensation laws. Or the late ripening of a crop can throw the migrant family into an immediate financial crisis, for their resources do not allow any wait-

ing for work. Because the Nation's agricultural system depends upon migrant workers being available when the crop is ready, the council believes it is the responsibility of the Federal Government to help the States offer assistance to these workers and their families in time of need.

Migrant families also are shut out from most of the assistance programs which are partly financed by Federal grants. They are excluded from the aid to the blind, old-age assistance and aid to dependent children programs by residence requirements set up by almost every State. Following the crops from State to State, the migrants cannot afford to stay home long enough to establish residence, nor can the Nation's agriculture afford to let them stay home. H. R. 6000 does cut down the residence requirements for aid to the blind to a maximum of 1 year, but few migrant families can even meet that qualification, let alone the maximum requirement of 5 out of 9 years residence from old-age assistance programs. The council believes that programs partially financed by the Federal Government should help these interstate workers. To do this, the council asks that the Social Security Act be revised to prohibit any State residence requirement which would bar needy migrants from aid to the blind, old-age assistance, aid for the totally and permanently disabled, and aid to dependent children programs.

Senator MILLIKIN. Would that not impose a pretty heavy burden on States which are trying to do the best they can along that line? Take my State of Colorado. We are paying a pension of about $82. We pay it to the husband and to the wife. That is paid for, of course, out of Federal aid and out of the taxes that were raised in Colorado. Now, we have gone pretty far, out there, to try to meet these problems. Is there not a limit to additional imposition, through migrants rushing in there to get the benefit of that?

Mrs. WAGNER. It would seem so, but in the States which have set up reciprocal agreements with other States to take care of their residents, there has not been a very heavy load on them. It has been equalized by their people who have been in the other States in time of need.

Senator TAFT. Mrs. Wagner, I think I introduced a bill a number of years ago, toward the end days of WPA, for a special dealing with migrant workers, that is, the assumption by the Federal Government of responsibility. I would not be much in favor of extending Federal Government aid to the States for all purposes related to the needy; but in the case of migrant workers, there is certainly some justification for the Federal Government assuming a relief program itself, apart from trying to put it into this State system in each case. Have you worked on anything of that sort?

Mrs. WAGNER. No; we have not.

Senator TAFT. I think I introduced a bill around 1940 or 1941.

Mrs. WAGNER. We have not been organized since then. We were organized in 1947, and we have not worked on any of the bills previous to that.

Because the welfare of these 4,000,000 farm families is so important to the welfare of the Nation, the National Citizens Council for Migrant Labor is asking that the Social Security Act be revised to (1) include agricultural labor under old-age and survivors insurance,

(2) increase appropriations for Federal grants-in-aid to State health and welfare programs, (3) establish grants-in-aid to the States for general assistance programs, and (4) prohibit residence requirements in State programs partly financed by the Federal Government. Not as a special group, but as deserving citizens of the United States, farm families deserve the opportunity to pay for their old age and to share in the Nation's welfare programs.

The CHAIRMAN. Thank you very much for your appearance.

Are there further questions?

Senator MILLIKIN. I would like to ask: Have you made any special effort to find out whether migrants want to come under this program?

Mrs. WAGNER. We are a council composed of several organizations, and one of our affiliated groups is the National Farm Labor Union of the A. F. of L., which has a membership of migrants in the South and in the Southwest. They are a democratic union, and they have voted to ask Congress to be allowed to come under the Social Security Act.

Senator MILLIKIN. Thank you.

The CHAIRMAN. Mr. Tobler? Mr. H. Willis Tobler?

You are representing the Milk Producers Federation, Mr. Tobler?

STATEMENT OF H. WILLIS TOBLER, LEGISLATIVE REPRESENTATIVE, THE NATIONAL MILK PRODUCERS FEDERATION

Mr. TOBLER. Yes, Mr. Chairman, and Senators Millikin, Taft, and Martin. My name is Willis Tobler. I am a legislative representative of the National Milk Producers Federation.

The CHAIRMAN. You may be seated if you wish.

Mr. TOBLER. My appearance this morning is on behalf of the 425,000 dairy farmers of the United States who are cooperatively organized and are members of our federation. I do not have a written statement, Mr. Chairman, but I would like to take a few moments to indicate our views with respect to old-age and survivors' insurance as it pertains to agriculture.

The CHAIRMAN. Yes, sir. We shall be very glad to hear you.

Mr. TOBLER. Our federation, for several years, has gone on record in support of the extension of old-age and survivors insurance to agriculture, and our most recent declaration on this subject was at our annual meeting in November 1949, at which time the voting delegates in our organization adopted this resolution:

> The federation recommends that old-age and survivors insurance be extended to all employees, including those in agriculture; and that self-employed persons may, at their option, avail themselves of the benefits of the program.
>
> With such extension, continued assurance and encouragement must be given to employers to develop retirement plans and other security measures for their employees. We believe that a program requiring contributions only by employers is unsound and not in the best interests of employees. We insist that the establishment of pension funds and other insurance programs should be made through payments by both employers and employees.
>
> The federation further recommends that old-age compensation be paid on a basis similar to an insurance or retirement annuity, instead of on the basis of economic happenstance.

I shall expand some of those thoughts expressed in the resolution, particularly with respect to that last paragraph, a little later.

Senator MILLIKIN. When you come to expanding, would you mind, giving us the basis of your theory that the self-employed should have the option of coming in or not? Will you cover that?

Mr. TOBLER. Yes, sir.

With respect to the desirability and need of extending coverage to agriculture, I merely want to point out that people in rural areas are just as much concerned over the interruption of their capacity to earn a livelihood as people in urban areas; and the fear of not being able to continue working due to old age or death impels these people to want this security just as much as their urban neighbors.

However, I would like at this time, Senator Millikin, to try to answer the question that you have been asking previous witnesses.

The major reason or factor why agriculture has left the impression of an apparent lack of enthusiasm for this program has to do with the very reason why it was not incorporated in the act in the first place. I have reference to the administrative difficulties involved. As you know, years of study have been given to this subject by the Department of Agriculture and the social-security and farm organizations; and out of that study has evolved the presently suggested stamp plan. In connection with the full-time, year-round, employees, it appears that the stamp plan will solve many of these administrative difficulties. However, I still visualize some that will be encountered.

However, it seems to us that with experience and time these other difficulties, administrative difficulties, will be ironed out, and the program will be successful; but that is the basis for this apparent lack of enthusiasm over the past few years.

Senator MILLIKIN. I think that is a very good explanation.

I should like to add that the Security Agency is quite adept at propaganda, and the stamp-tax plan has been widely advertised for several years.

The CHAIRMAN. Have you looked at that stamp plan in actual practice?

Mr. TOBLER. No, because it has not been put in actual practice.

The CHAIRMAN. I would like to have one of the social-security agents stay with it on my farm for about 6 months and see what he thinks of it after he has been on a 6-month tour of duty. It looks simple on paper, but it is anything but simple.

Mr. TOBLER. If he is satisfied, Senator George, with respect to your farm, and for year-round full-time workers, I certainly cannot conceive of his being satisfied when it comes to the part-time, seasonal, migratory worker.

The CHAIRMAN. We have them all on the same farm each year, the regular worker, the part-time worker, the migrant worker, the occasional worker. I would like to see them get these benefits, if you have a good system. There is no reason why farmers do not need it, as well as anybody else; and you do not have to argue that point. There is no real difference among American citizens, whatever their occupation. If they need assistance, they need it. But I am thinking of it from the practical point of view, of how you can apply it, how you can administer it.

Mr. TOBLER. I certainly can visualize some very interesting situations on farms, with soiled and mutilated stamp books that have to be carried around when farm employees are working on the farms under

adverse weather conditions. But I do still think that with respect to the full-time workers, most of these difficulties can be ironed out.

But when it comes to the part-time, seasonal, migratory workers, I just don't think it is going to work. In fact, I am convinced it is not going to work. It just will not be effective.

However, that does not mean that part-time migratory workers should not be covered. They should have the same benefits. In fact, they probably will need even more than the full-time year-round workers.

I will confess that I do not have any solution to this situation of the part-time migratory worker. However, I do make a suggestion that might merit some consideration, and that is that the staff of the committee and the committee might confer with the United States Employment Service, who, as you know, have full jurisdiction over the farm-placement program and are working very closely with the entire movement of migratory farm workers, starting in the South and moving northward as the harvest season progresses. Maybe through consultation with them some program might be evolved whereby the part-time, seasonal, migratory worker might have a workable program, so that those workers would be covered under this same program as the full-time agricultural workers.

The CHAIRMAN. There is no question but what he needs it just as much as and more so than other workers. The question is whether if you apply this system to him you have to do something else about it.

Mr. TOBLER. I think you have got to do something else.

The CHAIRMAN. I would not be surprised, myself, inasmuch as I have been forced to that conclusion. I have always wanted to go the other way, but the practical difficulties, here, are just terrific.

Mr. TOBLER. Now, with respect to the self-employed, Senator Millikin, you will recall our resolution indicated that the program should be made available to the self-employed farm owner at his option, so that he can come in if he wanted to or stay out if he wanted to. And that is based on the reason that the occupational stability and earning power of farm owners, or at least a high percentage of farm owners in America, afford them the opportunity of securing or acquiring or obtaining their own security, through savings accounts and private insurance programs, in addition to the traditional method of obtaining an equity in farm land. That, as you know, is one of the primary reasons why people select going into farming; as the acquisition of farm land will give them the security that comes from the knowledge that the farm will support them.

Senator MILLIKIN. You raise a very interesting point in the philosophy of this. We started this system for the employee, because the employee, as a practical matter, in a mechanized civilization is not able to bargain at arm's length with his employer, individually speaking, and in many respects he is not able to absorb the hazards that affect his individual efforts. Now, we are taking a departure from that. We are now saying that people who have elected the gamble of being the employer, the owner, people who have elected to take larger gains if they accrue, of being independent, also want the same kind of protection that we give to the man who does not have those advantages or disadvantages. How do we reconcile those two theories?

Mr. TOBLER. That is exactly the reason why we feel that the farm owner should have the right, the freedom of choice, as to whether or not he wants to belong, because of the very reason that there are some farmers, low-income farmers and subsistence farmers, who are not able to acquire or to build up their own security program.

Senator MILLIKIN. Yes, but you have not imposed any limitations on your system. You have not imposed any income limitations or hardship limitations or need limitations.

Mr. TOBLER. No, that is true.

Senator MILLIKIN. Now, suppose you—no, I do not want to even think of you having ill health; but suppose a farm proprietor got to be, say, 62 or 63, and he became full of disabilities which threatened to be very bad in the next year or two. He would be a perfect fool if he did not rush into an insurance system that was available to him. Now, it is the acceptance in any insurance system of extraordinary hazards like that, which cannot be ironed out through the aggregate of all of the risks, that usually overrules this option business. Did you ever hear of an option in private insurance for a man to come in or stay out as he pleased?

Mr. TOBLER. Certainly, he has that choice.

Senator MILLIKIN. Did you ever hear of an insurance system whereby a man can automatically, through his own desire, without the concurrence of his insurance company, go into an insurance system?

Mr. TOBLER. Oh, no. That is true. But he does have the opportunity to choose whether he wants to take out an insurance policy.

Senator MILLIKIN. Oh, he can stay out, or he can get out after he is in, which is one of the distinctions that does not prevail here. Once you are in, you are in; and you are compelled to stay in. But to pass that, obviously if people could elect to go into an insurance company and compel an insurance company to take them in, we would not have any solvent insurance companies.

Mr. TOBLER. Well, I think the illustration that you use, Senator Millikin, is rather extreme, with respect to agriculture. It is our belief and conviction that as far as farm operators are concerned, the large farm and the family-sized farm operators, they are going to prefer, even under circumstances maybe as extreme as yours, not to participate in the program.

Now, there will be exceptions; I will agree with that. But primarily it is going to be the low income and the subsistence farm owner that will want to participate in this program.

Senator MILLIKIN. If we are going to broaden this coverage to include the self-employed, personally I would like very much to see it on a voluntary basis, but I am plagued by doubts of the kind that I am expressing to you.

Senator TAFT. I suggest that the voluntary basis is perfectly reasonable if this is insurance. But I suggest to you that this is not insurance at all. It is a general system of taxing everybody to pay pensions and pay them with very little relation to what they are taxed, some relation but not much. And if that is the theory of the system, or that is the practice of this system, which it has come to be, it seems to me, then it appears to me that everybody ought to be taxed.

Senator MILLIKIN. But why should I, assuming that I am healthy, have to make my contributions to support some fellow who sneaks

under the tent just before he becomes eligible for benefits? That is a discrimination. It is not equal treatment.

Senator TAFT. You get it on the assumption that it is insurance. But if it is taxation it is entirely different.

Senator MILLIKIN. It would be more logical to assume that everybody is going to be healthy all the time.

Mr. TOBLER. Well, I have even a greater fundamental objection in the program than that, Senator Taft, which I will come to later. I was not going into the merits or the demerits of a social security program. I am just assuming that this is a sound, workable program, and that it is insurance. Whether it is or is not a question that I am not going to raise myself.

Now, if the program is extended to agriculture, to farm workers, there is one very important item that must be taken into consideration in evaluating the contributions, and that is the payments in kind. As you know, a large part of the wages of farm workers is in the form of housing, board, clothing, and other items of that type. And those items should be taken into consideration as part of the wage scale. And it is very important, since there are great variations, geographical differences, and standards throughout the country, that a schedule or schedules be formulated that will accurately reflect these various items that go into the wages of the farm workers. They are very important, and they should be all taken into consideration in the overall picture.

Just a word about farmer cooperatives. That is something that we are particularly interested in, because our dairy farmers are all cooperatively organized.

Senator MILLIKIN. Should you also take into consideration that the farm worker at least subjects himself to a larger period every day of availability for service? You do not have a 6-hour workday on the farm. Should that be taken into consideration?

Mr. TOBLER. I think it probably should. It had not occurred to me, but I think it probably should.

Senator MILLIKIN. And that would be on the other side of the ledger.

Mr. TOBLER. Yes.

The bill, H. R. 6000, as it passed the House settles or removes a lot of confusion that has been in the present program with respect to farmer cooperatives. There were cases where we did not know whether the employees of a farmer cooperative were covered or not, and there have been cases reported where contributions have been made by the employees and by the employer, the cooperatives, and then it has been later found that they were not covered. And when an effort was made to secure a refund, they were unable to do so. I must be frank to admit that I don't know how extensive that situation exists, but it certainly should be clarified, and all employees of all farmer cooperatives come under the act. The bill, H. R. 6000, so provides.

Senator TAFT. That reminds me of the question of cooperative-insurance companies, which you have in the farm field and I guess you have in the dairy-cooperative field. What kind of insurance do they provide? Do they provide life insurance, and so forth, or not?

Mr. TOBLER. Some, but mostly automobile-liability insurance and

fire. That is the general thing. There are some organizations, some farm-insurance companies, that do have life insurance for their members.

Senator MILLIKIN. They do not have disability insurance, do they?

Mr. TOBLER. I do not know, Senator Millikin. I am not sure. I thought that they did, but I may be in error.

The CHAIRMAN. Some of them, I think, do have a form of disability insurance, yes.

Mr. TOBLER. I think there are some that do.

The CHAIRMAN. Yes.

Mr. TOBLER. I just want to bring to the attention of the committee two collateral issues with respect to the definition of "agriculture." As you will recall, the bill, H. R. 6000, changes the definition, and in doing so it specifically brings in employees of farmer cooperatives.

The matter which I refer to might be considered as a somewhat minor thing in the bill, but it is really not so minor. At the bottom of page 46 and the top of page 47 of the bill, it says this:

> In the employ of the operator of a farm in handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, in its unmanufactured state, any agricultural or horticultural commodity—

I am raising the question with respect to the word "unmanufactured."

Two or three or four years ago, or maybe less than that, the ICC made a fantastic ruling that spinach, when it is harvested, cut, trimmed, washed, and packaged in cellophane bags, no longer was an unmanufactured commodity and became a manufactured article; which, of course, was ridiculous. Subsequently, they reversed themselves on that and held, as we have always contended, that it was an agricultural commodity.

I am just raising the question, because I want to be sure that this term "unmanufactured" does not take in some interpreation like that.

The second thing I would like to bring up with respect to the definition is that there are in the statutes of the Congress other laws that refer back to the definition of agricultural labor in the Social Security Act, and I mrely bring to the attention of the committee that the enactment of this definition will, of course, impinge itself upon the existing legislation, which uses this definition for agricultural labor.

Senator MILLIKIN. Not especially desiring to bring up an unpleasant subject, but would you say that a worker in an oleo plant is an agricultural worker?

Mr. TOBLER. I think I will let that rest with "No comment."

Senator MILLIKIN. Let us let that drop. What do you say?

Mr. TOBLER. Yes, otherwise we may open up a long discussion.

I am particularly disappointed that the Taft-Hartley Act does not have a definition of agricultural labor. And as you well recall, Senator Taft, an effort was made to secure a definition, either the one in this act or in the Fair Labor Standards Act.

Senator TAFT. They went to Congress, as I recall.

Mr. TOBLER. They came out with nothing. And although agricultural labor is exempt, there is no definition of agricultural labor. But there are other laws that do refer back to this act.

Now, I want to come to the really fundamental weakness, as we see it, in the present social-security program, and in the bill, too. I would like to quote from a statement I made previously, last year, on that. I am referring to the retirement test.

As you know, the program provides that if you continue to be gainfully employed in the covered employment, you are denied the benefits of the program, or at least you secure a reduced amount of the benefit.

Senator TAFT. If what? What was the first part of your sentence?

Mr. TOBLER. If you continue to be gainfully employed.

Senator TAFT. Oh, after 65.

Mr. TOBLER. After 65.

The CHAIRMAN. After retirement age.

Mr. TOBLER. This is what I said last year:

In supporting the principle of the old age and survivors insurance program of the Social Security Act, we want to make clear that we do not subscribe to the doctrine that the receipt of earned benefits is dependent upon the status of retirement of the insured. We hold that at the prescribed retirement age the insured should, as a matter of right, receive the full benefit payment notwithstanding the fact that he continues to be gainfully employed in a covered employment.

The old age and survivors insurance program provides a means whereby the insured is able by periodic contributions to build up a savings fund which at a fixed date should immediately be available for benefit payments to the insured or his beneficiary without a condition precedent. It may be that due to infirmities of old age the insured is unable to continue to work, or he may be blessed with good health but desires to withdraw from the competitive field of work and spend the remaining years in leisure and casual activities, or he may prefer to continue to work as in the past. In any event, whatever decision the insured may make, the right to the savings fund and payments therefrom must be an absolute right without regard to the employment status of the insured. Retirement policies issued by private-insurance companies provide for full-benefit payments irrespective of the fact that the insured continues to be gainfully employed. The same procedure should be followed under the old-age and survivors insurance program.

Senator MILLIKIN. Do you know what the additional cost would be if we had that?

Mr. TOBLER. That question was asked me last year too. It would be more, I recognize that.

Senator MILLIKIN. Do you have any figures on that, Mr. Cohen?

Mr. WILBUR J. COHEN (technical adviser to Commissioner for Social Security). Yes, Senator Millikin. It would be about 1 percent of pay roll more than H. R. 6000 to have no retirement age.

Senator MILLIKIN. Total 1 percent?

Mr. COHEN. Total 1 percent, yes; above the estimated 6.2 percent—level premium cost—that is in H. R. 6000.

Senator MILLIKIN. If that could be done, that would encourage people to stay in productive industry, would it not?

Mr. TOBLER. Definitely.

Senator MILLIKIN. And if we are going to carry all of these "deducts," we are going to have to keep our productivity increasing, are we not? And thus we are going to have to encourage people to stay in productive labor as long as they are able and willing to work? Is that not correct?

Mr. TOBLER. Yes, sir. And I am certainly one who will be perfectly willing to pay that extra 1 percent that was just indicated and know that at the age of 65 I would receive my benefits and not be denied them if I continue to work.

I recall that the Advisory Council of this committee a few years ago did make this recommendation. But they made it for the age of 70, whereas we are suggesting the age of 65.

Senator MILLIKIN. I think almost everyone is agreed on the principle. It comes down to the question of whether the system can carry it. I think that is what it comes down to. Is it economically sound under all of the circumstances?

Mr. TOBLER. Mr. Chairman, in conclusion, then, let me just summarize very briefly: We recommend and support the extension of old-age and survivors insurance to farm employees, full-time year-around employees, and part-time migratory workers, when some workable program can be evolved; to self-employed farm owners, with freedom of choice on their part; and the right to the benefits when the insured arrives at the age of 65, without any reference to the status of his employment.

I want to express my appreciation to the committee for the opportunity of appearing here and presenting the views of the members of the National Milk Producers Federation.

The CHAIRMAN. Well, sir, we thank you for your appearance.

Mr. TOBLER. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Angus McDonald? Will you identify yourself for the record, please, Mr. McDonald?

STATEMENT OF ANGUS McDONALD, ASSISTANT LEGISLATIVE SECRETARY, NATIONAL FARMERS UNION

Mr. MCDONALD. Mr. Chairman, my name is Angus McDonald. I am the assistant legislative secretary of the National Farmers Union.

Senator TAFT. The "Farmers Educational and Cooperate Union of America" is the official name? or is that a branch of the Farmers Union?

Mr. MCDONALD. It has two titles. The title I gave is the shorter designation. It is the same organization.

Mr. Chairman and members of the committee, I am here to present the position of the National Farmers Union in regard to H. R. 6000, a bill which extends old-age and survivors' benefits. We understand that the bill as approved by the House of Representatives extends old-age and survivors' benefits to an additional 11,000,000 people. While my organization heartily approves this legislation which extends social-security coverage, we regret that farmers and farm workers are not covered.

The National Farmers Union has for many years supported the extension of old-age and survivors' benefits to farm people. We realize that farmers who have reached the retirement age are in as great need of social security as workers in cities. Furthermore, we feel that the farmer is in special need of some kind of assistance because of his relatively low income as compared with the city worker, and that declining farm income of the last 2 years has accentuated this need. Economists tell us that farm net income will continue to decline during 1950.

The farming population is also entitled to special consideration because over the years agriculture has provided a subsidy to towns and cities by exporting annually a large part of the boy and girl crop. In many instances the parents of farm boys and girls bearing

the entire burden of rearing the children lost their services because they left the farm and went to work in factories as soon as they were old enough to be self-supporting. As a result of this migration there is a general tendency for older people to more concentrated in rural areas than in urban. Figures from the Federal Security Agency seem to bear out the contention that there is a higher proportion of old people in rural areas than in urban. According to this Agency, 52 percent of all those receiving old-age assistance live in so-called agricultural counties.

Senator MILLIKIN. Mr. Chairman, may I ask Mr. Cohen whether those statistics have been put in the record; that a larger proportion of old people live in the rural areas than live in the urban areas?

Mr. COHEN. Yes. That has been put in the record.

Senator MILLIKIN. I am not talking about the percentage of those who receive public assistance; I am talking directly, independent of public assistance, as to the ages of elderly people living in rural areas as distinguished from urban areas.

Mr. COHEN. No; that has not been put in yet.

Senator MILLIKIN. Do you have anything on that?

Mr. COHEN. Yes; I believe we have.

Senator MILLIKIN. Then, Mr. Chairman, may I ask that that be put in?

The CHAIRMAN. Yes. I thought it had been put in. That may be inserted in the record at this point.

(The information referred to is as follows:)

Distribution of population age 65 and over between rural and urban counties (1940 census)

	Percent
Total United States	100.0
Rural counties	44.0
Urban counties	56.0

Urban counties include all counties in which one-half or more of the total population resides in incorporated places with 2,500 or more inhabitants. All other counties are rural. These definitions are the same as those used in connection with data previously submitted on a distribution of aged, old-aged and survivors insurance beneficiaries and old-age assistance recipients between rural and urban counties.

In rural counties a somewhat higher proportion of the population is 65 and over than is the case in urban counties.

Percentage of population age 65 and over (1940 census)

	Percent
Total United States	6.9
Rural counties	7.1
Urban counties	6.7

Mr. MCDONALD. Mr. Chairman, if I might interpose here, in this discussion: As I recall, when I went over these figures last year, before I testified on the House side on this legislation, it was found that in the strictly farm areas, on the farms themselves, this proportion did not necessarily hold true of the whole population. However, the figures seem to indicate that as old people became too old to farm, they moved into villages and small towns, and you did have a very high proportion in that kind of a community.

Senator TAFT. Yes. When they say, "agricultural counties," they count counties with fairly large towns, I think.

The CHAIRMAN. About 2,500. That is regarded as agricultural population.

Mr. MCDONALD. Those who claim that the agricultural population should not receive old-age and survivors benefits do not seem to consider that already Federal, State, and county governments are spending enormous sums of old-age pensions. For example, in four predominantly agricultural States, around $125,000,000 was spent on old-age assistance alone. Colorado, in 1949, spent $40,229,000; Oklahoma $62,545,000; North Dakota, $4,892,000; and South Dakota, $5,483,000. I selected these States as examples partly because they are predominantly rural and partly because the organization I represent has large membership in all of them.

We are aware of the contentions that social security for farmers is administratively impractical and that any way farmers do not desire old-age or survivors benefits. In regard to the first contention, I would like to call the attention of the committee to a study which was released by the Treasury Department on December 1, 1947. In this study, apparently the administrative objections to providing social security for farmers and farm workers were overcome. I am told that authorities generally agree that this and other studies indicate that the bookkeeping obstacles involved in providing social security for farmers are not too great. Information received from members and officials of the National Farmers Union indicates that at least as far as the farmers belonging to our organizations are concerned they need and want social security. I am calling attention to a number of statements which I inserted in the record last year when I appeared on this legislation before the House Ways and Means Committee on April 14, 1949.

Senator MILLIKIN. Could you give us any enlightenment on why the House Ways and Means Committee did not extend coverage to farmers? I assume these same arguments were made before the committee.

Mr. MCDONALD. Senator Millikin, a number of organizations appeared, most of whom, I believe, did not advocate inclusion of farm people. As I recall, although the Grange has spoken for itself today, the National Grange did not at that time advocate the inclusion of farmers as they did today. I believe, as more information has been gathered, and as this bill has been more completely considered, there is a greater number of groups advocating inclusion of farmers.

Senator MILLIKIN. We have had no one appear here—I think I am correct, Mr. Chairman—who has opposed the inclusion.

The CHAIRMAN. No. That is right.

Senator MILLIKIN. And I was wondering why the House Ways and Means Committee did not include the coverage.

Mr. MCDONALD. I am unable to explain that.

Senator MILLIKIN. That would be asking you to read a lot of minds.

Mr. MCDONALD. Finally, I would like to suggest to the committee that we believe strongly that farmers should receive social security because they help pay for the social-security system at present in operation and because we feel that they should receive social-security benefits as a right and not as charity. Every time a farmer buys a tractor or any other product which is manufactured or processed by workers receiving social-security benefits he is contributing to the

social-security benefits of the worker. As is well known, when the manufacturer sells a tractor or any other implement he adds the cost of social security to his other costs and this in turn is passed on to the consumer. We do not believe any old person should be required to take a pauper's oath before he receives any benefits.

The evidence seems to indicate that farmers and farm workers are entitled to old-age and survivors benefits. It seems to us unfair to exclude them from a program to which they are making indirect contributions and to deny them the right to benefits which they are relatively more in need of than any other segment of the population. Farmers as a whole, particularly aged and destitute ones, are inarticulate. They do not have the means of making their desires and needs known. Therefore, I sincerely hope that the members of this committee, even though they may not have heard directly from farmers, will give serious consideration to a provision which will extend survivors and old-age benefits to farmers and farm workers.

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

Mr. MCDONALD. Thank you, Mr. Chairman.

The CHAIRMAN. We have one additional witness scheduled this morning. He is Mr. Sidney Hollander, president of the Maryland Pharmaceutical Co.

Have a seat, Mr. Hollander.

STATEMENT OF SIDNEY HOLLANDER, PRESIDENT, MARYLAND PHARMACEUTICAL CO., BALTIMORE, MD.

Mr. HOLLANDER. Thank you, Mr. Chairman.

The CHAIRMAN. The Maryland Pharmaceutical Co. has its offices in Baltimore, Md?

Mr. HOLLANDER. That is right.

The CHAIRMAN. All right, sir. We will be very glad to hear you.

Mr. HOLLANDER. Mr. Chairman and members of the committee: My name is Sidney Hollander and I reside in Baltimore, Md. I am president of the Maryland Pharmaceutical Co., with offices in Baltimore. My interest in the purposes and programs of national voluntary health and welfare organizations and, more particularly today, in OASI coverage for their employees, stems from years of participation as a layman in their activities. I am now an officer or member of the executive committees of 10 agencies, such as the Council of Jewish Federations and Welfare Funds, the Community Chests and Councils of America, the Family Service Association of America, and the National Health and Welfare Retirement Association.

Since the passage of the initial act, many social-welfare organizations have been vitally interested in the extension to their employees of the benefits of old-age and survivors insurance under the Social Security Act. When the legislation before you was introduced, a meeting of responsible officials of many of these organizations was called to consider what action they wished to take. The 24 representatives at that meeting unanimously agreed to support those sections of the pending bill which extend OASI coverage to employees of nonprofit organizations and, further, agreed to seek to express that viewpoint before the pertinent committees of Congress. They were very gratified when, later, the House passed H. R. 6000, which incorporated

those provisions, and have now asked me to serve as their spokesman in urging similar action by this committee and the Senate.

The organizations which I am representing today are American Association of Social Workers, American Jewish Committee, American Social Hygiene Association, Boys' Clubs of America, Camp Fire Girls, Child Welfare League of America, Community Chests and Councils of America, Council of Jewish Federations and Welfare Funds, Family Service Association of America, Girl Scouts of the United States of America, International Social Service, National Board YWCA, National Child Labor Committee, National Council YMCA, National Federation of Settlements, National Jewish Welfare Board, National Organization for Public Health Nursing, National Recreation Association, National Society for the Prevention of Blindness, National Travelers Aid Association, National Tuberculosis Association, National Urban League, Salvation Army.

They represent in the aggregate a membership of over 10,000,000 persons, with tens of thousands of paid employees. The scope of their efforts is national and, in some cases, international. They perform services which benefit hundreds of communities in every State. All are devoted to the purpose of furthering human welfare. Yet, ironically, the welfare of their paid workers has always been weighed on a lesser scale. Despite the public worth of their work, and despite their generally lower pay scales, they have never been embraced within the basic social-security structure provided for millions of employees of profit-making business. The number of paid employees estimated to be working in the broad nonprofit field represents an essential and substantial portion of our population—1,000,000 persons. There are strong arguments for their inclusion.

First, it is eminently unfair that persons of limited means—and employees of nonprofit organizations generally fall within that category—should be denied the social security designed particularly for them.

Second, as long as the question of coverage remains unsettled these persons of limited means cannot plan for old age and retirement with intelligence or assurance.

Third, with the Federal and private retirement plans now covering more than 47,000,000 employed persons in the United States, nonprofit organizations are in a highly unfavorable position from the standpoint of seeking and holding desirable employees. Efficient and desirable persons are refusing noncovered employment in favor of positions covered by social security.

Fourth, nonprofit organizations are faced with insurmountable problems in respect to retirement of old and faithful employees. It is dangerous and short-sighted to try to handle these cases by special board action and individual retirement grants.

Fifth, the Federal plan offers more for the money than any other. Pending amendments to the Social Security Act provide such increased benefits for early retirements and additional benefits for wives and survivors that no private plan can compare in benefits for the

same amount of premiums. Private plans could continue to collect premiums over and above the Federal requirements and so provide needed additional benefits. This protection has spread widely since the Social Security Act was enacted.

Sixth, there is actually no broad social security under private retirement plans because there is little or no transferable coverage if employees change from welfare work to another type of occupation. Few nonprofessional workers remain in unchanged employment until retiring age; many professional workers do not. Without the continuing protection afforded by Federal social security, many of these persons must face the future with uncertainty rather than assurance.

Senator MILLIKIN. I suggest that you are emphasizing one of the weaknesses of our private-pension plans. Unless a man stays with a company for his whole life, he may find himself without the benefits of that particular company's pension plan.

Mr. HOLLANDER. That is quite true. And if he leaves the whole field of social security and goes into some other field, he loses what he has already put in. And in a great many of the private companies, as I know to my regret, they don't even carry from one social agency to another. If a social worker is working in one State and moves to a social agency in another, that is the end of his benefits.

Seventh, immediate steps to secure coverage are urgent because workers' equities are adversely affected by postponement of coverage. The longer the postponement, the longer an employee must remain at work in order to secure benefits. The risk of never securing benefits is increased.

Senator MILLIKIN. May I ask you: Is there any objection, in the field that you are talking about, to inclusion?

Mr. HOLLANDER. I have heard none at all. I have heard that there are a number of agencies that I have spoken to in addition to this list.

Senator MILLIKIN. We have religious agencies where there is some question, but I did not notice offhand that any of the organizations that you represented at least directly touch upon that point of objection.

Mr. HOLLANDER. No; there has been no objection.

Eighth, nonprofit agencies cannot logically continue to urge such socially desirable measures for employees in general and refuse like protection for their own employees.

Ninth, it is a generally conceded fact that businesses reflect the costs of social-security taxation in their prices and costs of services. Thus employees of nonprofit organizations, as individual taxpayers and consumers, foot a portion of the bill without the compensating security enjoyed by millions of their fellow citizens.

These are clear and impelling reasons for the extension of OASI benefits to these workers. They become more impelling in the light of the general endorsement of them by nonprofit organizations across the land. As you know, Mr. Chairman, until the introduction of the bill now before you there was great concern expressed in some quar-

ters that the coverage of nonprofit employees under the Social Security Act might impair the tax-exempt status of their organizations. The organizations for which I am speaking, like all others, strongly desire the maintenance of that status. Although the bill before you goes less far than some organizations feel it should, all support its provisions for coverage of nonprofit employees as the best common denominator for the solution of their problems. They urge the passage of these provisions in the belief that the equity of social security depends in large measure upon its application to all the people.

The CHAIRMAN. Are there any questions?

Thank you very much for your appearance.

Mr. HOLLANDER. Thank you, Mr. Chairman.

The CHAIRMAN. That completes the call of the witnesses for the morning.

The committee will recess until 10 a. m., tomorrow morning.

(Thereupon, at 12:10 p. m., the committee recessed until Wednesday, February 8, 1950, at 10 a. m.)

SOCIAL SECURITY REVISION

WEDNESDAY, FEBRUARY 8, 1950

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

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Johnson of Colorado, Lucas, Hoey, Kerr, Millikin, Butler, and Martin.

Also present: Mrs. Elizabeth B. Springer, acting chief clerk, and F. L. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will come to order.

Mr. Carl H. Chatters?

STATEMENT OF CARL H. CHATTERS, EXECUTIVE DIRECTOR, AMERICAN MUNICIPAL ASSOCIATION, CHICAGO, ILL.

Mr. CHATTERS. Senator George and members of the Finance Committee, I represent the American Municipal Association, as its executive director. The association is a federation of State leagues of cities which together federate about 10,350 cities. I am appearing in support of H. R. 6000 substantially as it stands with some slight changes.

The CHAIRMAN. We will be very glad to hear from you.

Mr. CHATTERS. I would like to say just a word about the reasons why we support H. R. 6000. I can assure you that I will finish in 15 minutes and file the statement which I have for the record.

The CHAIRMAN. We shall be pleased to have you do so, Mr. Chatters.

Mr. CHATTERS. There are approximately 4,000,000 State and local employees, of whom perhaps 1,500,000 are under no local or State retirement system. Perhaps there are that many more among those who are in some retirement system who have no old-age and survivors insurance; or no survivors insurance, which is comparable to the survivors insurance under the old-age and survivors insurance provisions of the Federal Social Security Act. And perhaps, too, at least two-thirds of the people who are now employed by city governments will not stay through until their time of retirement. And so, even if a city has a retirement plan, those people who stay for any extended period with a city accrue no rights under the Social Security Act, nor do they accrue any other retirement benefits. So there will be a very large number of people presently employed by cities, even those cities with retirement plans, who will not stay until they get the benefit of those retirement plans, nor will they at the same time be building up any credits under the Social Security Act. This leaves many of those

who are under present retirement systems without any old-age and survivors insurance.

This is somewhat contrary to the expressed views of the Social Security Board that there ought to be universal coverage under the social security plan.

The small places generally have no retirement plans for their employees, except in those States which have State-wide retirement plans, and if the need is greater in some places than in others it is in the small communities, which have no retirement plans of their own and can hope to have none, and where there is no State retirement plan into which employees can come as members.

There are even some of the very largest cities where no employees except the policemen and firemen have a retirement plan. Even cities of the size of St. Louis and Kansas City, Mo., have retirement plans only for their policemen and firemen; which is rather a surprise. With the very large number of employees they have, only the policemen and firemen are in their retirement plans. There are some other large cities with similar conditions.

You also have to face the problem of the municipal employees who transfer from one city to another or transfer from public employment to private employment, and who, during the course of these transfers, accrue no benefits under the Social Security Act.

What I am saying is that it seems it might be wise, if all of the parties at interest were agreeable, to have social security available as basic protection for all employees, or as a supplement to the retirement plans where the benefits are small or where the workers are not sure to stay in their present employment until their time of retirement.

What we are after really is three things. We are after coverage of the people who are excluded from the benefits of present plans and who have no coverage under present local or State retirement plans. The second thing we are after is survivorship protection, which is not found in many local plans. And the third thing we are after is continuity of coverage. All of those are expressed objectives of the Social Security Board.

There are some minor changes, and one major change, that we think are needed. H. R. 6000, as it now stands, is generally acceptable. But it does provide that all of the coverage must be through agreements between the States and the Social Security Board. There are so many open questions under such an arrangement that we would like to see direct coverage between municipalities and the Social Security Board.

Now, we realize that there are some objections to that. I think the chief objection that has been raised is the fact that there would be a great number of separate contracts.

It has been said that there are 155,000 local units of government in the country. But about 110,000 of those are school districts. Most of those are covered under State retirement plans. There are only about 15,000 incorporated municipalities, some of which are already under retirement plans and would not, under any conditions, want to come in under the Social Security Act. My wildest guess is that 25,000 contracts would be made. My reasonable guess is that no more than 5,000 would be made.

Now, with 2,500,000 contracts now in existence between the Social Security Board and private employers, I fail to see why the addition

of somewhere between 5,000 and 25,000 contracts provides any basic objection to direct coverage between municipalities and the Social Security Board. The number of questiosn unanswered is simply too great for us to be able to give endorsement to the plan for coverage through the States as proposed in H. R. 6000.

Of course, we would much rather have the Social Security Act available through State contracts than not to have it available at all; but we feel that it will be more continuous, that it will be used at an earlier date, and that it will be more satisfactory over a long period, if direct agreements can be made.

We would like to see most of the other parts of the bill retained as they are. The most controversial part will be the part which permits members of the present retirement plans to come under the scope of the Social Security Act if two-thirds of the members of the retirement plan vote to do so.

There are those here today, I know, who are going to testify that the members of present plans ought to be excluded categorically, so that they never can be brought within the scope of the act. Their feeling is that if social security is available to the members of present systems, then eventually social-security benefits will replace their present systems. I don't pretend to speak for them. They are here, and they are probably testifying against the point of view which I myself would hold on it. You have to consider whether or not such an arrangement is equitable to those who will transfer from public employment to private employment, who will transfer between municipalities, and the very large number of people who will accrue no benefits either under social security or any local retirement system.

I am not going to argue the point. It is one of the critical points in the bill as written.

Senator MILLIKIN. Do you believe that a system could be evolved whereby we could maintain the integrity and the individuality of these different systems, and at the same time provide a method for giving coverage as a man moves in or out of that system?

Mr. CHATTERS. Yes, I think so. It might be more complicated than the Federal Government would want to administer. I think you would have to get technical testimony on that. There is a system, and I recommended such a system last year and have it also in the testimony I am submitting; namely, that those who are excluded for any reason, either because the members of the present system vote to exclude them or because of any other reason—there are transfers in and out of public employment—I think those people should be entitled to use something camparable to the stamp plan, where they can pay for their own benefits or can pay their money some other way, and therfore continue their coverage.

It is not right for a man to work in private employment for 10 years, go to work for a city for 3 or 4 years, and then leave the city and come back into private employment, and meanwhile fail to accrue any benefits; or even worse yet, to work for 15 years and accrue social-security benefits, and then perhaps, when he is old, go to work for a city and accrue no benefits. And then there are the people who work seasonally, maybe 6 months in a year, and they fail to have any continuity of coverage.

I think a system could be worked out. I think your own staff would have to give you the details of it. It is complicated; it would be more

difficult than the ordinary coverage, but I think it would be possible to do it.

Senator MILLIKIN. Just off the cuff, and tentatively, I can see no point in forcing this present system, an existing system which pleases the members; but that in-and-out phase of the thing is very important, and I am curious as to whether a system could be worked out whereby when a man moves out of that coverage he would move into another, and vice versa.

Mr. CHATTERS. I think it can be done. It would be more complicated than the ordinary coverage, but I think it is fair; because if you do not, you will continue to have several million workers who will ultimately be uncovered under the act. And if you covered every other group except State and local employees, you still would fail to cover properly several million people who would be floating in and out of public employment. And I think that needs to be covered in the act. If that can be done it is not too bad if the people who are in present systems want to be excluded. But I think we should not penalize those who float in and out, solely to protect those who are in a retirement system at present and want to protect their rights in those systems.

Senator MILLIKIN. And vice versa, we should not discriminate against those who are in a system for the benefit of the in-and-out.

Mr. CHATTERS. I agree.

Senator KERR. Would you make a general statement to the committee which would describe the situation of those now in the organizational coverage to which you referred, whether it is teacher retirement or police or firemen retirement, or municipal employees retirement, that would let us know whether or not they develop a fixed right in those programs? Is it the fact that after 5 years, when they left, they would have a vested right which would accrue to them upon reaching a certain age? Or, in the main, do they lose whatever they have there when they leave those employments?

Mr. CHATTERS. Senator, I can answer that question in part. There are others here who can answer it perhaps more fully than I can. But in general you have to be employed for a long period of time to get a vested right in the local or State retirement system. Certainly as far as I know under no local system would you have any vested rights until you had been there 10 years. And the more normal period would be 20 to 25 years before you would get a vested right in your own contributions and the contributions of the employer, so that you would have built up a retirement allowance which you could draw after you retired or at the retirement age.

Senator KERR. Wherever you went, and whatever employment you may later be engaged in?

Mr. CHATTERS. That is right. But you have to stay a very long period of time.

Senator KERR. Do you think it would be practical, if this bill eventually comes out with that feature of it, that is, without the provision compelling the inclusion of those programs which are now set up, to have a provision in it that would fix it so that as an alternative when a person left one of those classifications of employment before securing that vested right whatever he did have could be transferred then to this program, in the event he left such employment and went into one which was covered by this act?

Mr. CHATTERS. I think it is possible, but it would be extremely complicated.

Senator KERR. Suppose he had been making a contribution there for 5 years as a policeman or as a teacher. He leaves it and goes into private employment. He has secured no vested right. But he does have the privilege of taking from that fund what he may have contributed and putting it into this program, in view of the fact that he then goes into an employment that is covered here.

Mr. CHATTERS. I think the answer to that would be "Yes." And that would be simple. But to move back from social security to the public retirement system, of which he has been a member previously, or to some other system, would be extremely difficult if not impossible.

The CHAIRMAN. Let me see if I get you. Do you think that would be a simple answer: That one who is under a State retirement system or a municipal retirement system, but without having secured any vested rights under that system, could take out his contribution and put it into social security, the Federal social security, when he entered covered employment?

Mr. CHATTERS. Yes; provided the Federal act would permit it.

The CHAIRMAN. Would it not depend upon the system that was set up by the State, the county, and the municipality. Would it not depend upon the terms of that system?

Mr. CHATTERS. Oh, entirely. Entirely, sir. Their rules would have to be changed.

The CHAIRMAN. Yes. Now, if you are going to compel them to do it, that is tantamount to saying that the Federal Government will enter this field and exclude all these other private systems, is it not?

Mr. CHATTERS. I did not say I wanted to compel them to do it. I was trying to answer the Senator's question.

The CHAIRMAN. Well, if it would compel them to refund to every person who enters this system but who has not secured permanent or vested rights, is that not tantamount to saying the Federal Government, having entered this field, will do so to the exclusion of all the State and municipal systems?

Mr. CHATTERS. No; I don't think that follows at all. At the present time most of the members who leave a retirement plan receive a refund of their own contributions with interest. Under existing laws nearly every State or local retirement system pays back to the member his own contributions, but not the employer's contribution, if he leaves before he has a vested interest or before he reaches retirement age.

The CHAIRMAN. Well, if that is true, of course they can do as they please with it; but Senator Kerr's question, I thought, was broad enough to cover a situation where the State retirement system did not provide for a refund, say, until after 10 years of service, or after 15, and the employee, whether teacher, policeman, or what not, left at the end of 6 years. How could he get any refund there, unless the Federal Government is going to say, "We preempt this whole field." And that certainly implies the power to outlaw, does it not, to nullify, all State systems; all municipal systems?

Mr. CHATTERS. No, sir; I don't think that follows at all.

Senator KERR. Let me make this little statement, there: There seems to be doubt in the minds of many, and opposition in the minds of many, to the enactment of a Federal law that would compel the transfer of all the present retirement systems to the one agency here. So my ques-

tion was with a view to probing the possibilities of alternatives, and as to a part of the act which would be written on a basis not superseding the field, or not preempting the field, or not compelling entrance, and fixing it as an alternative that any State or municipality could maintain its present system, but with the provision that in doing so they undertook to protect those that were covered by it in the event of their prematurely leaving it to go into some field of employment that would be covered by the national act, and then giving that employee that right to take with him from a system which had been held intact under the provisions of the act and permitted to continue under the provisions of the act, but protecting the employee by permitting him to take with him in the event that he left it, such benefit as he may have developed, but not one to which he had secured a vested right, and moving it over, as a beginning, in the Federal security system.

Mr. CHATTERS. That is what I understood your question to be.

But let me say first, in answer to the first part of your statement, that there is nothing in H. R. 6000 as it stands that would abolish any State or local retirement system as it now exists. There is a lot of loose talk that it would.

Senator KERR. What if the percentage of those covered by it so elected?

Mr. CHATTERS. If two-thirds of the members voting on the proposal elected either to take social security in place of what they have or as a supplement to what they have, they could do so under the act, but there is no compulsion in any way to abolish any system that is now in existence.

Senator KERR. Suppose two-thirds of them voted to do that. Would they not then be in effect abolishing the right of the other one-third?

Mr. CHATTERS. If two-thirds voted to come in? Yes.

Senator KERR. Does that not bring them all in?

Mr. CHATTERS. Certainly. Suppose two-thirds vote to stay out. Then the other third are out, too. The minority always suffers, no matter what you do.

Senator MILLIKIN. But the minority does not suffer where contractual right is concerned. Make it 99 percent. Have 99 percent of any organization the right to affect your individual vested contract rights?

Mr. CHATTERS. Yes; under the Bankruptcy Act they have. Under 77 (b) of the Bankruptcy Act they have the right.

Senator MILLIKIN. I hope we are not going into a confession of bankruptcy here. This is supposed to be a very progressive, forward-looking thing.

Mr. CHATTERS. That is right.

Senator MILLIKIN. If I may suggest, in the bankruptcy action the validity of the contract has already been impaired by the facts. Therefore you deal with the facts as you find them. You do not start out on the theory that you breach sound contracts. Your purpose there is a healing operation as to contracts that are already worthless or seriously impaired.

Mr. CHATTERS. Well, the Senator has asked me if it is possible——

Senator KERR. Reasonably possible.

Mr. CHATTERS. Reasonably possible to work out a plan whereunder, as to the members of present retirement plans who do not get a vested

interest in their payments and leave the employment after they have paid in for a number of year, it would be practical to transfer those payments to the Social Security Board, so that they would work up coverage under the Federal Social Security Act, the same as if they had been under it while they were in public employment elsewhere. That is the question.

Senator KERR. Yes, sir.

Mr. CHATTERS. My answer, again, is that you would probably have to amend the charter or the law covering the existing system, which could pay the money, then, over to the Social Security Administration if the Federal Social Security Act authorized it. And I think that would not be too difficult. The difficulty would come when the person went back, if he did, from private employment into the public retirement system and wanted to return to it and take back his social-security contributions into the private system. For that reason I think the plan is not feasible. Because in one direction the road is easy; the road back seems to me to be almost impossible.

The CHAIRMAN. All right, sir, you may proceed.

Mr. CHATTERS. The scope of the act, the extent of the coverage, must be extended, for this simple reason: That the people who are excluded must pay Federal taxes. But they receive no benefits under the act. Even under the present maximum payments, a person would have to save ten to twelve thousand dollars to purchase the kind of an annuity which he can get from social security. And therefore those people who are excluded are penalized to the extent of ten or twelve thousand dollars. The person of middle income may save that amount in all his life, if he is lucky. And yet if he is excluded from the act it would take all of that to buy the same annuity which somebody gets under social security with a very small payment. And in my thinking that is the best argument for extending the coverage under the act. Because it is so unfair to the people who are outside and who must take the equivalent of their life savings to buy what somebody else gets for a very small sum of money.

Now, there is just one other thing. I would like to file with you, in addition to my statement, copies of letters from a large number of cities and municipalities, stating their opinions on inclusion under the act. It shows that people who are not in are anxious to get in, and some of those who have mild coverage or no coverage are also anxious to get in. I would like to file those in addition to my statement.

The CHAIRMAN. Yes. You may file them with the clerk. Your prepared statement will be inserted in the record at this point.

(The prepared statement of Mr. Chatters is as follows:)

STATEMENT OF CARL H. CHATTERS, EXECUTIVE DIRECTOR, AMERICAN MUNICIPAL ASSOCIATION, RE EXTENSION OF SOCIAL SECURITY TO MUNICIPAL EMPLOYEES (H. R. 6000)

The American Municipal Association, which federates through its State organizations some 10,350 municipal governments, heartily endorses and strongly urges the passage of H. R. 6000 insofar as it extends old-age and survivors insurance to public employees. The present bill (H. R. 3000) is consistent with and has been modified to meet the suggestions of this association with two exceptions noted below. However, some testimony will be inserted about certain features deleted from H. R. 2893 (1st sess.) because pressures may be exerted to restore them in this legislation.

The following summarizes my comments about H. R. 6000:

1. Title I, section 106, fails to make clear whether or not a municipality has anything to say about the extension of coverage to its employees or whether the State alone will make such a determination. This is the weakest part of the bill and must be clarified.

2. Municipalities should be permitted to contract directly for old-age and survivors insurance and should not be required to depend on a State contract as they would under H. R. 6000. This is particularly true since cancellation of the contract by the State would permanently bar municipal employees, covered under such a State contract, from future participation in the OASI program. More than 2,500,000 employers now report to the Social Security Board. Direct agreements with municipalities would add only 1 percent to this number.

3. Present members of State and local retirement systems cannot participate as beneficiaries of the OASI program unless two-thirds of the members of any retirement system voting on the matter approve the inclusion of the members in the OASI program. Great pressure will be brought to bear to close this half-open door and make it impossible for present members of any public retirement system to be taken into the social-security system. Such an effort must be considered against the background of the desirability of universal coverage under OASI.

4. Relatively few State and municipal retirement plans provide survivors insurance. Therefore, coverage under the OASI provisions of the Social Security Act should be available as a supplement to benefits now offered by State and municipal retirement systems. In this respect public employees should have the same rights as private employees.

5. Benefits under the OASI program ought not to be increased for the groups already covered until the benefits of the act are extended to groups now excluded, such as municipal employees and employees of corporations not for profit. To do so increased the discrimination against those who are omitted now from OASI participation.

6. There is need for OASI benefits to be extended to public employees. In thousands of small communities none of the employees come under the Social Security Act nor under any State or local retirement system. In many large cities only policemen and firemen have retirement plans. Two of the twenty largest United States cities have retirement protection only for the uniformed services.

7. Some large groups of municipal employees already members of retirement systems oppose the extension of OASI to any person who is already a member of any State or local retirement plan no matter how inadequate the latter may be. Even so, the smaller communities generally, and large groups of employees in the larger places want the OASI benefits.

8. Persons who go in and out of public employment, or from one public body to another, or from private to public employment, may easily end up with no old-age protection in either OASI or a public retirement system. The shifting of public employees between jurisdictions and from public to private employment is a compelling argument for universal coverage.

9. Accordingly, H. R. 6000 should be amended or clarified to accomplish the following:

(*a*) Let municipalities contract directly with the Social Security Board for OASI coverage.

(*b*) Make certain that each municipality decides for itself whether or not it wishes to come under the OASI provisions; that is, the State should not make the decision.

(*c*) Make it harder for preferred groups under present systems to exempt themselves from the proposed extension of OASI.

(*d*) Make certain that OASI is available as supplementary protection or basic protection to all public employees who want it. Any municipal employee who is excluded because his State does not make a contract, because his municipality does not wish to participate, or because the retirement system of which he is a member votes to stay out, any such employee should be able or compelled to participate either on the basis offered employees of nonprofit corporations or by use of the stamp plan.

10. Since the United States Government has given OASI protection to so many persons, no large group of municipal employees, and no single employee who wishes OASI protection, should be excluded from it. What is available and desirable for more than one-half of the workers in the United States should not be withheld from any single worker who wants it.

Municipal employees excluded

Nearly 4,000,000 employees of State and local governmental units are excluded from coverage under the Federal old-age and survivors insurance program established under the Social Security Act as it now stands. Some of these State and local government employees are members of retirement systems. However, coverage under these systems is by no means universal, and the protection afforded under them is not adequate in all respects.

Municipalities generally favor the inclusion of public employees under the Social Security Act. Exceptions are some members of present retirement systems and some of the uniformed municipal employees. We have explored the question carefully and extensively; we have sought the opinions of a wide range of municipal officials representing various municipal functions in cities, towns, and villages of differing populations; and we have learned that municipalities want old-age and survivors benefits for their employees, and that they are willing and anxious to bring such a program to fruition as quickly as possible.

These objectives would be difficult to accomplish if H. R. 6000 remains unchanged. Under the method of coverage provided in this bill the municipalities would have no discretion with respect to the plan. The State would be the pivotal agency in the agreements made with the Federal Government and in respect to all provisions to be contained in these agreements.

There is no valid administrative reason for having the agreements solely between the State and Federal Government and to bar direct contracts between individual municipalities and the Federal Government. To permit agreements solely between the State and the Federal Government is wasteful, discriminatory, and unnecessary. The State would be required to submit reports in connection with its position as the pivotal factor in the agreements with the Federal Government. This implies the keeping of State records to support all payments made to the Government. This would duplicate the records established and maintained by the Federal Government. The administrative arrangement which has operated successfully for years between private employers and the Federal Government can be used between municipalities and the Federal Government.

State-local relations not clear in H. R. 6000

State-local relations in H. R. 6000 are based on the premise that the State will determine all matters not explicitly set forth in the bill. The only precise requirement is the proposal that members of any present retirement plan shall not be covered unless two-thirds of the members voting on the proposal approve it.

The present bill, therefore, leaves unanswered many important questions. Does failure of a State to act exclude all public employees of the State and its political subdivisions from participation in the OASI program? May the members of a local retirement plan vote to abandon their present plan and take up OASI? If a State administration cancels its agreement with the Social Security Board and thereby forecloses the membership of all municipal employees under the State contract, is it fair to keep such municipal employees out of OASI through no fault of their own? If the State should permit municipalities individually to rule on the exclusion or inclusion of their employees, would the governing body of the municipality or the votes of the employees decide the matter? Could a State say that it wished to enter into an OASI contract for all uncovered municipal employees and then proceed to force them in without local action of any kind? If the State is the contracting agency, will it keep a detailed set of records comparable to the record of earnings and taxes paid into OASI or will there be only the records in the State or only the OASI records? In some State retirement systems each municipality comes in as group. In a referendum in such a State would each city in the system be treated separately? Or would an adverse vote by one-third of those voting in the entire State shut out from OASI the employees in those municipalities where there might be unanimous desire for inclusion or at least a two-thirds vote? Many other such difficult questions arise and fortify the conclusion that direct Federal-local contracts are desirable.

Universal coverage the goal

Extension of old-age and survivors insurance to public employees would be another step toward universal coverage under the Social Security Act. With regard to a goal of universal coverage the recent report of the Advisory Council on Social Security (April 1, 1948) states:

"The basic protection afforded by the contributory social insurance system under the Social Security Act should be available to all who are dependent on

income from work. The character of one's occupation should not force one to rely for basic protection on public assistance rather than insurance."

In recommending the extension of old-age and survivors insurance provisions to State and local employees, the Advisory Council goes on to say:

"Almost half the total number of State and local employees are not covered under any retirement system, and of those who are covered, probably about four-fifths lack adequate survivorship protection. The need of this group for the protection of the old-age and survivors insurance program is clear."

In its several annual reports the Social Security Board has recommended that "public employees, including Federal, State, and municipal employees" be included in the coverage of the Social Security Act. For instance, in its Sixth Annual Report (1941), the Social Security Board observed:

"Coverage under the old-age and survivors insurance system is needed by many groups which usually are considered as having protection under other programs, such as employees of the Federal Government and of State and local governments. Frequently these other programs fail to provide protection for survivors, ordinarily they do not cover all public employees, and rarely do they provide means for continuance or transfer of insurance rights when workers change their employment."

As early as 1937 the American Municipal Association requested the assistance of the Social Security Board in investigating optional or contractual methods by which old-age and survivors insurance provisions could be extended to municipal employees. Since then the association has constantly sought the adoption of such a method, and at its annual conferences of 1941, 1942, 1944, 1945, 1946, 1947, 1948, and 1949, reiterated that position by the adoption of formal resolutions requesting the passage of legislation authorizing the inclusion of municipal employees under the Social Security Act.

Limited protection under State and local retirement systems

Total State and local employment in October 1949 was 4,187,000 persons. Twenty-five percent of these were State employees. In magnitude of employment, city governments far outrank State governments as well as other local units. In October 1949 the distribution of State and local employment was: State (nonschool) 730,000; city (nonschool) 1,099,000; county (nonschool) 382,000; other nonschool 323,000; all State and local school, 1,654,000.

Although 92 cities with populations over 100,000 have retirement systems for some or all employees and two-thirds of the States have retirement systems, probably about one-half the total number of nonschool employees of State and local governments are not covered in any way. The over-all proportion of coverage obscures the almost complete lack of protection for all employees in a number of States and for employees in certain occupations or localities in other States.

Complete data relating to the proportion of employees covered under retirement systems to the size of the employing units are not available, but there is considerable evidence that the larger the governmental unit the greater is the proportion of employees covered. A much larger percentage of employees in cities over 100,000 have retirement benefits than in cities under 100,000 population. Statistics compiled by the Social Security Board in 1943 for cities under 100,000 population show that less than 15 percent of employees were covered by existing retirement systems.

The notion that only small cities, towns, and villages are without adequate retirement protection is a half-truth. For example, in 1948 only 649 or 61 percent of 1,068 cities over 10,000 population had retirement plans covering all classes of municipal employees. Within this population bracket 87 cities were without retirement plans of any kind. Two hundred and two cities had plans for firemen and policemen only; 61 cities for firemen only; and 58 cities for police personnel exclusively. Only 418 out of 1,068 cities over 10,000 population participated in retirement systems provided by their States.

Let us take a closer look. St. Louis, a city of some 825,000 people, has 11,000 public employees exclusive of schools. Yet only the fire and police personnel have retirement coverage. Among the cities with populations ranging from 250,000 to 500,000, there is Kansas City, Mo., 4,500 employees; Louisville, Ky., 3,300 employees; Memphis, Tenn., 3,200 employees; and San Antonio, Tex., 2,100 employees—a total of 12,100 municipal employees in these four major cities in which firemen and policemen only can look forward to retirement benefits. Little Rock, Ark., a city of 88,000 people, has retirement protection for police and fire personnel only. In Gary, Ind.; Long Beach, Calif.; Oklahoma City, Okla.; and South Bend, Ind., the same condition exists. In Lubbock, Tex., fire department personnel only

are covered. Mr. Argo V. Peek, personnel director of Lubbock, summed up the situation in his city as follows:

"The majority of the employees of the city of Lubbock are for the voluntary extension of social-security coverage to public employees. The city of Lubbock has been badly handicapped in attracting and holding competent employees because of the lack of any type of pension system. In several instances, key employees have accepted employment elsewhere, stating that the other company had a retirement plan as well as social security.

"Employees of the city of Lubbock in several cases have suffered personal hardship because of the lack of a retirement system. Labor employees after several years of employment have been released when they became too old for their work. Two employees were totally and permanently disabled on the job, but after payment of hospital and doctor expenses and salaries for a period of time, these men were released. Some more satisfactory treatment of these situations would result from social security or retirement systems."

Dropping down the population scale to the 659 cities between 10,000 and 25,000 in population, we find that 121 cities have retirement coverage for fire and police personnel only; 53 cities for firemen only; and 51 cities for policemen only. Only 344 cities, little more than half, of all cities in this population range offer protection to all classes of municipal employees; 84 cities in this group provide no retirement benefits.

We have yet to mention 250,000 employees in 5,592 small cities, towns, and villages between 1,000 and 10,000 population where there is almost no retirement coverage except for the few who participate in State systems. When there is no State retirement system the number of employees in a small locality is usually not large enough to permit the operation of a financially sound local system.

The small communities in the United States are especially in need of old-age and survivors insurance. In 1941, the latest year for which authoritative data are available, 62 percent of governmental units had less than 10 employees. Some 40,000 employees worked for 9,000 cities, towns, and villages of less than 2,500 population with municipal staffs of less than 10 persons. And 55,000 employees worked in 3,800 of these small localities with staffs between 10 and 24 employees. Approximately 10,000 persons were employed by 144 cities, towns, and villages with populations between 2,500 and 10,000, and municipal staffs ranging from 10 to 25 persons. Nearly 20,000 persons were employed by 570 governmental units of this size with staffs of 25 to 50 persons.

Illinois is a good example of the need of the small communities for better old-age protection. In that State it is mandatory for all policemen and firemen in places over 5,000 to be members of a retirement system. General municipal employees in Illinois cities over 10,000 population must be members of a retirement system. But Illinois has 304 incorporated places under 5,000 population whose policemen would be excluded and 365 incorporated places under 10,000 whose general municipal employees would be out.

Municipal officers find the lack of a retirement system or an old-age assistance program a serious handicap to municipalities as employers. Because there is no subject of greater interest and serious concern to the municipal employee than that of protection for his survivors in the event of his death, or his dependents and himself when he reaches old age, municipalities have great difficulty in attracting ambitious, young people who desire to develop themselves and are sensibly concerned about protection for their families.

The patchwork of municipal pension systems has made of the public service at the local level a collection of individual closed shops. The municipal employee under a local pension plan is not a freeman—the longer he works in one jurisdiction the more strongly he becomes bound to that job and that location because of the rights he has built up and would lose if he were to leave. The result is that municipalities lose the benefit of interchange of personnel and ideas, "injection of new blood, and competition for municipal positions among good candidates regardless of residence.

The lack of adequate pension programs has another devitalizing effect on municipal service, namely, the retention of old employees beyond the point of their normal usefulness. Most administrators hesitate when faced with the decision to discharge a faithful employee who has reached the age of 60 or 65, and has dropped below the level of normal productivity, but is without adequate financial means.

The city of Little Rock, Ark., has a population of 88,000. Of its 650 employees, only fire and police personnel have retirement benefits. Mr. Paul Zander, city

engineer of Little Rock, one of the many municipal officials interviewed by us in 1949, cites the following typical case.

"I would like to cite a specific case which happened in my department at the beginning of 1948, when it was necessary, under civil-service age-limit ruling, to dismiss, for reason of over-age, 11 employees. To date, at least 8 or 10 of these employees are being supported by welfare funds. In addition, I now have three or four persons who are officially incapacitated because of age, but I cannot conscientiously dismiss them because they and their families have no visible means of support. In all probability, it would be necessary for them to require assistance from welfare funds."

The Social Security Board has estimated that about 1,500,000 State and local employees are without retirement protection. Present retirement plans available to these public employees differ greatly. Some provide reasonably adequate benefits, and some provide benefits uneven in character and small in amounts; some are on a secure basis, both as to finances and public retirement, and some are inadequately financed or uncertain of continuance.

OBJECTIVES AND OTHER BASIC CONSIDERATIONS

Objectives

Coverage of those who are now without protection.—As indicated earlier, about 1,500,000 employees of States and localities are without any systematic protection for their old age or for their survivors in the event of death. The first objective, then, is to provide these people with a floor of protection at least equal to that provided by the Federal insurance program for industrial employees.

Survivorship protection.—It is estimated that 75 percent of State and municipal employees covered by existing retirement and insurance systems are without adequate survivorship protection under these systems. These workers should have survivorship protection at least equal to that provided by the Federal insurance program.

Continuity of protection.—Existing State and local retirement systems are constructed primarily, sometimes entirely, for the benefit of those who continue in the service until their retirement from active employment. The vast majority—perhaps nine-tenths—of all who leave the service before retirement age normally forfeit all their rights to old-age benefits.

Employees entering State and municipal employment may have accumulated protection under the old-age and survivors insurance program. Upon leaving covered employment, their protection begins to diminish both as to the duration of their eligibility for benefits and the amount of benefits payable. Under the present law, persons shifting from public to private employment, even though they ultimately qualify for benefits under the Social Security Act, do not receive credit for the time spent in public service.

Persons who leave or enter municipal and State employment should have protection under the Federal program equivalent to that provided for persons who remain in private employment all their working lives.

Other basic considerations

Needs of public employees.—There is no evidence that municipal and State personnel are a sheltered class. Their families have the same potential need for social benefits as do others. If such benefits are not provided through social security, their dependents at their death, or they, at old age, may require aid from other public sources. Nor is the impression valid that public employment is sufficiently attractive in itself to cause workers to seek Government employment in preference to private employment. This has been largely dispelled and proved erroneous by developments in recent years. It would be more nearly correct to say that qualified and experienced people do not seek public employment in sufficient numbers. Many workers leave public employment for jobs in industry because of the promise of old-age benefits.

Retirement plans an aid to management.—In addition to being an important social measure, an adequate retirement system is also an aid to management. To the municipality, as an employer, the extension of old-age and survivors insurance would serve as a direct aid to recruitment and enable the employer to attract and retain in the public service persons of experience and ability, thereby achieving a reduction in turn-over and stabilization in employment. It would serve as a means by which the employer of public personnel could remove from the active pay roll, without undue hardship, persons who have outlived their usefulness to the service because of old age or disability. It would make it possible for the municipality to continually reactivate its service, since the availability

of retirement benefits would keep open avenues of advancement for younger and more efficient personnel.

OBJECTIVES CANNOT BE ACHIEVED UNDER PROPOSED PLAN

The record indicates clearly that universal coverage has been the goal of exponents of social security. Coverage will be incomplete while municipal employees are excluded. Evidence has been presented to show the need for expanding old-age and survivors' insurance to municipal employees. Finally, we have pointed out three major objectives which the extension of coverage must attain to be effective. They are protection of those not now covered under the system, survivorship protection, and continuity of protection.

Under the plan proposed in H. R. 6000, these objectives cannot be fully attained. The plan is self-defeating as far as complete coverage of municipal employees is concerned. It proclaims the extension of old-age and survivors insurance coverage to municipal employees and then goes on to destroy its avowed purpose by making the extension of coverage completely dependent upon State decision and action.

State, the main factor

Under H. R. 6000, all agreements for the extension of old-age and survivors insurance would be made between the States and the Federal Government. The State is authorized to terminate the agreement with respect to its own employees or the employees of any political subdivision. The State would control the groups to be included in the agreement with the Federal Government, and the classes of State and municipal employees to be covered. The State is given discretionary authority to determine who shall be included or excluded in the agreements. Under the proposed plan, then, the municipalities have no discretion except the negative right to refuse coverage under the act. In short, H. R. 6000 proposes that the State initiate the agreements with the Federal Government; that the State decide who shall be included; and that the State terminate all or part of the agreement whenever it desires.

Continuity of old-age and survivorship protection is not provided for municipal employees by H. R. 6000. Even though they should work for a municipality which elected to come under the old-age and survivors section of the Social Security Act as amended by H. R. 6000, they could lose such protection by (*a*) going to a municipality or State which was not covered by the Federal act, (*b*) by entering Federal employment, or (*c*) by going to work for another city, State, or school district even though this latter employer should have a retirement plan.

The bill also has serious shortcoming with regard to survivorship protection for persons now covered by municipal retirement systems. It has been estimated that 75 percent of the employees under State and local systems are without adequate survivorship protection. Even if H. R. 6000 became law, the participants in municipal retirement systems would continue to be without this protection because they are excluded from participation in the Federal system and most State and local retirement plans do not provide survivorship protection.

EXCLUSION AND REFERENDUM

The cleavage between the public-employee groups who favor coverage of State and local employees under the Social Security Act, and those who oppose it is reflected clearly in the bill under discussion. According to H. R. 6000, the agreement made by the State with the Federal Government shall provide for the exclusion of employees covered by State and local retirement, pension, and annuity systems unless two-thirds of the members voting in a referendum vote to be included. It does not seem wise to include as voting members those who already are annuitants because they would infer that their benefits might be increased or decreased by inclusion or exclusion in OASI.

Under these provisions, the retirement plans whose members are excluded from the agreement with the Federal Government obviously might provide benefits below the standards of the Federal system, and among these may be systems which are not sound financially and give no adequate guaranty of promised benefits.

An important case in point is the pension system of the State of Illinois. The Chicago Tribune reported on March 7, 1949, that an Illinois Interim Commission had advised a drastic revision of the entire pension program for State and local employees at once if the pensions are to survive. The Commission points out that in the last 18 years "pension obligations and accrued deficiencies have

practically doubled, and deficiencies are still rising." Reserve funds of the plans are short some $272,899,188. The Commission blames "a lack of consistent policy, frequent liberalizing amendments unsupported by necessary revenues, and the absence of scientific actuarial measurement" for the present condition.

Supplementation

The exclusion of persons now members of State and local retirement plans is discriminatory. Such exclusion is supported by those who fear that the benefits of old-age and survivors insurance will become a maximum and not a minimum of protection or that Federal social security will supplant the local systems.

The resolution of the American Municipal Association in 1945, supporting the extension of old-age and survivors insurance protection to municipal employees, cited the discrimination which would result against municipalities with retirement systems unless voluntary coverage was made possible for all local governmental units, without respect to the existing retirement systems. The integration of existing plans with old-age and survivors insurance, one supplementary to the other, has come about widely and satisfactorily in business and industry. There appears to be no logical reason why these practices cannot be adopted with regard to employees under State and local systems.

Some organized groups of public employees are opposed to the idea that the Federal Social Security Act should be used to supplement existing retirement systems. They feel that coverage under the Federal program might mean the abolition of existing retirement systems, that governmental units would not make appropriations for systems supplementary to Federal coverage. It seems unlikely that many retirement systems would be abolished because of the extension of old-age and survivors coverage. Private industry generally conformed its retirement plans to the Social Security Act and used one retirement plan to complement or increase the other. All in all, it would seem that the positive advantages to public employees of old-age and survivors protection should outweigh these negative consequences.

To enact legislation such as H. R. 6000 which excludes from coverage employees of existing retirement systems would defeat the ultimate objective of integration of social-security benefits with those of supplementary local systems. Eventual universal coverage would be forestalled.

Last year's original bill (H. R. 2893) excluded fire and police personnel even if they were not covered by existing systems. This automatic exclusion made policemen and firemen a special class of municipal employees. This exclusion was removed in H. R. 6000 and should not be restored.

Small communities

The original 1949 bill (H. R. 2893) provided for the exclusion of political subdivisions having less than 10 eligible employees, or in any case, when less than one-fourth of all eligible employees in the State are proposed for coverage under old-age and survivors insurance. This unwarranted discrimination against smaller political subdivisions was corrected in H. R. 6000 and should never again be seriously considered. Sixty-two percent of the cities, towns, and villages in the United States have less than 10 employees. Yet it is this group of public employees which is most in need of old-age and survivors insurance.

Municipal employees do not want charity in old age. They prefer retirement allowances which they have earned as a right, not doles based on evidence of need. Yet for the thousands of municipal employees still denied the rights of participation in the Federal insurance system there will be no choice in the matter, unless Congress consents to bring them into the system. The longer action is delayed, the greater will be the need.

Administration of proposed plan

It has been shown that the problem of extending social security to public employees is in many respects analogous to its extension to business and industry. The analogy is particularly suited to the administration of the program.

The proposed plan provides for agreements between the Social Security Administration and the State only. Inasmuch as the Federal Government deals directly with thousands of industries and businesses, there appears to be no logical reason why this administrative pattern cannot be applied to municipalities. Certainly there is no equity underlying the present plan to deal with the State only. The channeling of payments through the State can only result in a duplicate set of records, needless expense, and confusion. It would lead to delay in transmitting collections to the Federal Government, and in making benefit payments.

Before an agreement between the Federal Government and the State could be negotiated, certain legislative action would have to be taken by most, if not all, of the interested political units. Under the present plan for agreements with the States only, legislation would have to be enacted by the State. This process of legalizing the formation of agreements would undoubtedly require a somewhat lengthy time, thereby delaying the entrance of governmental units into the system. In view of these factors, it could hardly be assumed that the extension of coverage to municipal employees would be anything but slow.

Localities will be completely dependent upon the State insofar as their inclusion in the original agreement is concerned, and with regard to the establishment of administrative procedures between themselves and the State. Whereas a State may be hesitant or slow in entering into an agreement with the Federal Government, or may take considerable time to enact enabling legislation, the municipalities most interested would be in a position to reach decisions promptly and achieve coverage quickly and smoothly for their employees if their relations with the Federal Government were direct.

The opponents of direct dealings between the Federal and local governments maintain that a plan for agreements with individual municipalities would be considerably more difficult to administer than one for agreements with the States only. Whereas the maximum number of agreements which could exist with the States would be 51, it is said that there are 155,000 separate State and local government units, and that 155,000 separate agreements between the Social Security Board and these units might be necessary. Of this 155,000 about 110,000 are school districts, most or all of which are members of State retirement systems. Based on these facts, we do not believe there would be more than 25,000 units that would ask for coverage within the next 5 years. A 1948 report by the Social Security Agency, Bureau of Old-Age and Survivors Insurance, states that during the first quarter of 1947, there were 2,500,000 employers reporting. Under a direct agreement arrangement with municipalities, then, the number of cities and towns reporting would be no more than 1 percent of the businesses and industries now reporting. This would indicate that the number involved is not a compelling argument against direct agreements with municipalities.

Adverse selection

The cry of adverse selection is no valid reason either against extending OASI to municipal employees in small groups. When 37,000,000 people are already in the system the addition of a relatively small number of people even though they may be of varied ages will not seriously impair the system. Unless the persons who are now well advanced in years can be incorporated into the old-age system the latter will not serve its intended purpose for another full generation.

Extended coverage before increased benefits

There could be no greater unfairness to the persons now outside the social-security system than to increase the benefits to the present members and still leave half the workers outside the system. Let me illustrate. If the maximum benefit for a man and wife at the age of 65 is approximately $75 per month, then as a joint annuity this is worth at least $11,000 assuming an interest rate of 2½ percent. If the maximum benefits were increased to $150 per month, with survivors benefits this would be the equivalent of an annuity costing $22,000 at the age of 65 with an assumed interest rate of 2½ percent. In other words, an individual who is outside of the OASI system would have to save $22,000 and invest it in an annuity to have an even start with a member of the system who receives its benefits and who had contributed perhaps as much as $2,000 in his lifetime. Besides all that the excluded worker would have to pay in Federal taxes toward the retirement of the covered worker while he himself was excluded.

RECOMMENDATIONS

This is what the American Municipal Association recommends:

1. Municipalities should be authorized to make contracts directly with the Federal Social Security Board for extension of OASI benefits to their employees.
2. Old-age and survivors insurance should be available to any municipal employee who wants it without regard to his class of employment, the site of the municipality he works in, or his membership in an existing retirement system.
3. Old-age and survivors insurance should be available to members of existing local retirement systems as a supplement to other benefits under such local plans.

How can it be obtained?

1. By permitting direct agreements between municipal governments and the Social Security Board for OASI coverage.

2. By permitting individuals to be members of the old-age and survivors insurance system through the use of stamps in the manner proposed for other groups of workers. An individual can voluntarily come into the system and pay the entire cost if his employer will not participate. Since all payments would be voluntary no State legal question seems to be involved. Under such a plan any municipal employee may participate in the OASI system whether he remain with one employer or transfers between private employment, municipal employment, and some uncovered occupation.

What will be the results?

1. Every municipal employee will have OASI available either as his sole protection or supplementary protection.

2. Some municipal employees in large groups will be covered by agreements directly between the municipalities and the Social Security Board.

3. Any individual municipal employee who wishes may be a member of the system. This will take care of the small community, the workers now excluded in the larger communities, and the worker who transfers from one employment to another.

If the social-security system is open to one American citizen it should be open to all. If it is good for some it is equally good for others and should not be denied because of alleged legal or administrative problems.

Senator LUCAS. Mr. Chairman, I would like to ask Mr. Chatters one question.

The CHAIRMAN. Yes, Senator.

Senator LUCAS. I would like to ask you this, Mr. Chatters. Perhaps it has been answered before I got here. Why would you oppose the exemption of certain groups who are seeking to be exempted from these provisions?

Mr. CHATTERS. Well, I am not sure that I said I was opposing it. But there are some arguments on the other side. The first is that probably two-thirds of the present employees of municipal governments will not stay until their retirement. Therefore the people who go in and out will have no continuity of coverage under either the Social Security Act or a public retirement system. And there ought to be some provision made by which people who go in and out of public employment and private employment may be protected under the Social Security Act. There are so many people who go in and out, or who have such small benefits under the act that they are of little use to them—I mean small returns under local retirement systems, so small that they are not adequate. There are probably two-thirds of the people that go in and out. And in addition to that, there are a large number of the existing plans that do not have what compares with survivors insurance under OASI.

Senator LUCAS. Now, one other question. You are familiar with the suggestion dealing with the referendum in the case of retirement. You have been talking about two-thirds of the membership. I have not read this carefully, but I have always understood it was two-thirds of those voting. Do you understand it that way?

Mr. CHATTERS. That was my understanding when I read it. However, the rules apparently are going to be fixed by the State.

Senator LUCAS. Well, we are going to fix the rules here, if we fix any at all, with respect to the number that is required in this referendum before they could come under this system.

Mr. CHATTERS. Yes. Well, it is not clear from the bill whether or not it is two-thirds of the members or two-thirds of those voting.

I do not believe it is clear, as the bill is written, and I think it ought to be.

Senator LUCAS. You would certainly think it should be two-thirds of the membership, would you not, if you are going to put anything of that sort in the bill?

Mr. CHATTERS. I would not argue against it.

Senator LUCAS. Well, if you have two-thirds of those voting, you could turn this over pretty fast, with only a few fellows in there at a regular meeting. You would not even have to have a majority of the membership.

Mr. CHATTERS. In general, it would require a mail referendum, I believe, or a place where they could come to vote. I certainly would have no objection to two-thirds of the members of the system. The act ought to be extended for those who want it and those who need it. I am not trying to plead for or against those who are in the present systems. They can take care of themselves and argue their own case. But I think as far as your conscience permits, it ought to be extended to those who have no benefits under the present act.

Senator LUCAS. Well, the language of the bill provides for certification to the Administrator that "not less than two-thirds of the voters in such referendum voted in favor of including services in such positions under the agreement." That would indicate that it was not two-thirds of the membership but two-thirds of those voting in the referendum.

Mr. CHATTERS. My own personal feeling is that those who want to be excluded are short-sighted. But that is a matter for them to decide for themselves, because it affects their own interest. My own feeling is that it is a short-sighted point of view and it will prevent, ultimately prevent, total coverage under the old-age and survivors insurance. And to that extent, and because of the number of people who transfer, and the number of people who go in and out of private employment and public employment, I think it is short-sighted. But I haven't the vested interest or the personal interest that the others do, and they can speak for themselves on that. I believe it is short-sighted, but, then, they may not. That is their privilege, to think differently.

Senator HOEY. In that connection, my State has State retirement for teachers, and so on. They want to, of course, maintain their own system. Do you think it is short-sighted for them to prefer to remain in their own system rather than get into national social security and give up the benefits which have already been provided and which have accrued to them?

Mr. CHATTERS. No, sir; I do not, provided the benefits under their State retirement plan are adequate for them. I do not think so. But I think it is short-sighted to say that the teachers who go in and out will have no benefits under the act, or that a man who stays within it 15 years, perhaps, and leaves, will lose whatever protection he has under the system.

Senator HOEY. He does that under the present social-security system.

Mr. CHATTERS. I would not argue for a minute nor defend the position for 1 minute that you ought to abolish any retirement system that now exists. I would not uphold that point of view. The act

does not provide for that. There are too many loose statements being made that this act does abolish State and local retirement plans. It does not.

Senator LUCAS. Well, it does not abolish them; but it does if you comply with four provisions of the act.

Mr. CHATTERS. No, sir; I don't believe it does.

Senator LUCAS. Then I do not understand the English language, if that is the case.

Mr. CHATTERS. It can replace present systems, but it cannot abolish have no benefits under the act, or that a man who stays within it 15

Senator LUCAS. What is the difference?

Mr. CHATTERS. Well, one would be compulsory, and the other is voluntary.

Senator LUCAS. Well, it is a distinction without a difference. You get rid of it, either through replacement or abolishment, one or the other. You will not have any more local system if they replace it with the Federal, will you?

Mr. CHATTERS. Not if two-thirds of the members want to do that.

Senator LUCAS. That is what I am talking about. There are four provisions in this bill that they must comply with before you can finally replace it or abolish it. I would not quarrel with you as to whether it is replaced or whether it is abolished. But certainly it can be done.

Mr. CHATTERS. That is right; with the consent of two-thirds of the members.

Senator LUCAS. And what these folks are afraid of, as I understand the situation, is that once this bill is passed in its present form, there will then be a determined effort to get out from under the present system, because they will say, the State will say, "Let us pass enabling legislation to help get these folks out from under." And there will also be propaganda to the point where they will be better served in the Federal Government. And the States and local municipalities will avoid that tax by throwing it on to the Federal Government. That is exactly what will happen, in my opinion, if we do not exempt these fellows. The way the tax situation is today, everybody is trying to shoulder everything on to the Federal Government. And municipalities and States are in pretty bad financial condition. If they can get out from under the paying of this money, they are going to start a drive, in my judgment, to pass that right on to the Federal Government. Do you agree with that?

Mr. CHATTERS. No, sir. That is not my personal opinion, any more than the extension of the Social Security Act abolished the private pension plans.

Senator LUCAS. It could happen, though.

Mr. CHATTERS. Certainly. Somebody could drop a bomb on this building this afternoon.

Senator LUCAS. That might happen, too.

Mr. CHATTERS. It could happen. It is possible within the scope of the act. It is possible, but I do not believe it is probable. Those people are here and can speak for themselves. That is a matter of opinion. I appreciate their opinion, and I respect their opinion. It happens to be different from mine but I respect it.

Senator KERR. May I ask a question, Mr. Chairman?

The CHAIRMAN. Yes, Senator.

Senator KERR. As I understand it, your principal concern is in connection with what you believe to be two-thirds of those under these other programs moving out from them before securing a vested right, and thereby being in a position where they can neither get the benefit of what they have done there nor start here in time to get adequate benefits.

Mr. CHATTERS. My primary interest would be in the million and a half who are in no retirement system whatsoever; and secondarily, those two-thirds who go in and out and who would have no coverage. It is in those two groups that I am interested, which constitute probably 75 percent, in total, of the municipal workers, the municipal employees.

Senator MILLIKIN. Mr. Chairman, may I ask a question, please?

When you speak of the two-thirds, are you speaking of two-thirds who are covered? Or two-thirds of those who are covered who move in and out?

Mr. CHATTERS. I am talking of the two-thirds now employed who will not stay there, in my opinion. Two-thirds of those who are employed in municipal government at the present time who would not stay until their time of retirement.

Senator MILLIKIN. What is the "in and out" of those who are in covered systems?

Mr. CHATTERS. I can't say. There are the directors of some very large retirement systems here, and they can tell you the facts on that. I cannot tell you. It is different for different classes. Turn-over would be low among firemen, policemen, and teachers; much higher for others.

Senator MILLIKIN. Let me ask you this: We are talking about making comprehensive revisions, and we probably will make some. I think everybody would agree that this is an evolutionary subject, and that what is said by any bill which is passed out of Congress at this session is not the last word, and that we will probably have many revisions in the future.

Supposing we just assume that we cannot go to heaven in one jump, we cannot solve all problems in this bill, and that we leave out of this system those existing retirement systems among municipal employees and take in, give the opportunity to take into, those municipal employees who are not covered by their own systems. Supposing that just as a practical step we went along that line.

Mr. CHATTERS. I think that would be a good first step. I certainly have no objection to it. I would like to see it go further. But if that is the first step, that is a very highly desirable step and ought to be taken. Certainly I would not take a dog-in-the-manger attitude and say that because I don't like the bill you ought to keep out a million and a half people who don't come under any protection.

The CHAIRMAN. Who would pay their taxes?

Mr. CHATTERS. The million and a half who are excluded?

The CHAIRMAN. Yes, sir. Would you call on the cities and the States to pay taxes without regard to whether they wished to do it or not?

Mr. CHATTERS. No, I think it should be left to the discretion of the individual municipality whether or not its employees were covered under the act. That is one reason I want to see the direct contracts between the cities and the Social Security Administration.

The CHAIRMAN. I imagine there would be no objection to that, if that were true. But would that comply with the demands of those who wished to bring all of these private systems under this act?

Mr. CHATTERS. I really do not know of any one, Senator, who wants to bring all of the private systems under the act. There are many who think that coverage should be universal; and to the extent that you want universal coverage, then you would have to have the members of present systems included in it.

The CHAIRMAN. That is a desirable end. But considering the place where we are now, do you expect ever to see complete universal coverage under the Federal Social Security Act?

Mr. CHATTERS. I think ultimately there will be, yes, sir. Because it is so unfair to those who are excluded that I think ultimately you will include everybody. But I would prefer to see the act extended to those who have no protection of any kind at the moment, rather than exclude anybody because of some technicality.

The CHAIRMAN. I was just asking a practical question, here. You would expect the act to provide for the acceptance of the program by the municipality or the State?

Mr. CHATTERS. Absolutely.

The CHAIRMAN. Otherwise they would not contribute to the Federal social security system for their employees.

Mr. CHATTERS. That is right. And under no conditions should it be extended and forced on a city unless the city accepts it for its employees and agrees to pay the employer's contribution. There is no question about that. But this act as it stands does not provide that. It provides for action through the State. And the State can make any rules it wants.

The CHAIRMAN. And you wish the direct action between the municipality and the Federal system?

Mr. CHATTERS. Yes, sir. I think it will work quicker and better.

The CHAIRMAN. I understood that to be your position, yes.

Senator KERR. I am in a little doubt as to one question, Mr. Chairman.

How many people are now covered by present retirement programs in the States and local municipalities?

Mr. CHATTERS. Probably somewhere around two and a half million. Perhaps it may be two and three-quarter million.

Senator KERR. That are now covered?

Mr. CHATTERS. Yes, sir.

Senator KERR. I understood your statement to be that of that number some two-thirds will move in and out and wind up without a vested interest in a retirement program somewhere.

Mr. CHATTERS. Well, more precisely, I would say that of the total number of people working at the present time for State and local governments at least two-thirds of them will not stay where they are until they would draw some retirement benefit under the existing plans to which they are still legible.

Senator KERR. And you address that statement to those who are now in programs which are covered, and of which, if they did remain, they would have the benefit?

Mr. CHATTERS. Yes, sir.

Senator KERR. And that is not with reference to the million and a quarter or million and a half not in retirement programs?

Mr. CHATTERS. No, sir, that is in addition to those.

Senator KERR. Yes.

The CHAIRMAN. Thank you very much.

Mr. CHATTERS. Thank you.

The CHAIRMAN. Mr. Richard D. Sturtevant?

You may be seated, if you wish. Please identify yourself for the record.

STATEMENT OF RICHARD D. STURTEVANT, CHAIRMAN, SOCIAL SECURITY SUBCOMMITTEE ON OLD-AGE AND SURVIVORS INSURANCE, ILLINOIS STATE CHAMBER OF COMMERCE, CHICAGO, ILL.

Mr. STURTEVANT. My name is Richard D. Sturtevant. I am assistant secretary and general counsel of the Jewel Tea Co., Barrington, Ill. I appear here, however, as a representative of the Illinois State Chamber of Commerce and as a member of the social-security committee of that organization.

Since I feel that I am here in a representative capacity rather than speaking for myself, or even for my company, I think it might be of some significance to outline for you just briefly something about the Illinois State Chamber and something about the way in which the recommendations which I wish to bring to you have been arrived at, before going into the position which we wish to present.

The Illinois Chamber is a State-wide civic association which has about 8,000 members. This membership is located in some 240 municipalities throughout the State. The membership consists of men in all types of business activity, members of the professions, and, as I said, they come from a very broad geographical distribution. The State chamber, on all matters of policy, such as the taking of positions on legislation, acts through its board of directors and through recommendations from committees, which are presented to and acted upon by that board. The board is made of some 81 men throughout the State. They are elected from geographical districts; and some of them from the State at large.

The board meetings are held monthly, and, as I said before, the recommendations of various committees are brought before the board. In this particular instance, the social-security committee is a standing committee of the association. It is made up of about 60 men, only 1 of whom is also a member of the board of directors. That committee has been in existence for a good many years, and has had a long continuity of interest and study in the field of social security.

In respect to H. R. 6000, the social-security committee appointed a subcommittee for the purpose of giving further detailed study to the provisions of the act. The recommendations of that subcommittee were brought before the whole committee, and from there were passed on to the board of directors, so that the statement which I present to you today does represent, we believe, a very broad cross section of opinion of Illinois business.

The committee is also assisted by a full-time social security manager, whose business it is to assist and advice the members of the committee and the board.

I believe you have before you a copy of a statement which has been prepared, and which I wish to file with the committee at this time.

The CHAIRMAN. Yes, sir. You may do so.

(The statement referred to follows:)

STATEMENT BY THE ILLINOIS STATE CHAMBER OF COMMERCE, PRESENTED BY RICHARD D. STURTEVANT, CHAIRMAN, SOCIAL SECURITY SUBCOMMITTEE ON OLD-AGE AND SURVIVORS INSURANCE

The Illinois State Chamber of Commerce is a State-wide civic association with a membership of some 8,000 businessmen. Its members are located at 242 Illinois communities and are engaged in all types of industrial and commercial ventures and in the practice of the professions. They range from representatives of some of the Nation's largest corporations to the self-employed. It is obvious, therefore, that the members of the chamber have a vital interest in the Federal social-security program in general and in H. R. 6000 in particular.

The positions set forth in this statement have been arrived at after long continued study by the chamber's social security committee, which is made up of 60 members. The recommendations of that committee were submitted to and approved by the board of directors, which is made up of 64 men from all sections of the State. It is believed, therefore, that the viewpoints expressed herein are broadly representative of Illinois business.

It is expected that a representative of the social security committee will appear personally before the Senate Finance Committee to outline briefly the chamber's position on the various aspects of H. R. 6000. This statement will provide more complete information than can be presented in the time the committee can properly allot to any single person or organization. While the principal objective of this statement is to report on positions taken with respect to specific provisions of H. R. 6000, occasion will also be taken to express certain fundamental beliefs relative to the operation of the social security system and its place in our political and economic way of life. The statements of position and observations will in general follow the outline of the House Ways and Means Committee's summary of H. R. 6000.

OLD-AGE AND SURVIVORS INSURANCE

Extension of coverage

Illinois business[1] favors extension of coverage of the social-security insurance program within the United States to the fullest extent administratively feasible. With the exception of extension of the program to the Virgin Islands and Puerto Rico, no serious objection is raised to the provisions of H. R. 6000 which it has been estimated would extend coverage to an additional 11,000,000 persons.

This position is based on a firm belief in the desirability of meeting the old-age security problem through a contributory insurance program rather than placing principal reliance on a dole or relief for the needy aged through public assistance. Illinois business recalls that under the original concept the old-age assistance program was to be largely a stopgap to take care of those who would not have sufficient time to build up retirement protection to the extent provided for fully insured persons; and it was freely predicted that the old-age assistance program would be gradually diminished in importance and in cost. There is much concern, therefore, over the fact that old-age assistance has substantially increased, both in relative importance and in total cost.

Support for extension of coverage is therefore conditioned upon a definite and orderly withdrawal of the Federal Government from the old-age assistance field. It is recognized that extension of coverage of the social insurance program must come first, and thus support is given to H. R. 6000 with some reservation

[1] For simplicity of statement the positions approved by the board of directors of the Illinois State Chamber will be expressed from time to time as the viewpoint of Illinois business. It is recognized that no organization can truly speak for every businessman. However, the Illinois State Chamber membership comprises all types of business, actively represented through its committees and board of directors, and it is firmly believed that its views express the opinion of the majority of Illinois businessmen.

as to whether there is any real justification for the exclusion of farmers and of physicians, lawyers, and other professional persons. Whether or not the Congress finally extends coverage to groups other than those covered by H. R. 6000, it is respectfully urged that plans be made and specific legislation be drafted which will return the task of providing relief for the needy to the respective States.

It is believed that it would not be desirable to extend coverage to workers in the Virgin Islands and Puerto Rico in view of the vastly different problems which arise in those places. If a program is needed there, let it be created by specific and separate legislation geared to the economic situation and the needs of those islands.

Before leaving this matter of extension of coverage we also wish to record the belief that inclusion of new groups within the old-age security program should not create any precedent for like inclusion under the States' unemployment compensation programs. Both the objectives and the administrative problems under the two systems are materially different, and it would not be at all feasible to cover the self-employed, for example, under the unemployment compensation laws.

Definition of employee

The provisions of H. R. 6000 which would change the existing definition of "employee" meet with the vigorous and unanimous opposition of Illinois business.

The House Ways and Means Committee majority report states that the revised definition would go a long way toward clarifying the coverage status of individuals in the twilight zone between employment and self-employment. The Illinois State Chamber of Commerce strongly dissents from this view.

The new definition has four parts, and our objection goes particularly to part four, which seems clearly designed to reverse the decision reached by Congress when it passed Public Law 612 (the Gearhart resolution). Passage of that law climaxed a long period of dissention and uncertainty, and it is believed that passage of H. R. 6000 in its present form would create a new era of doubt and confusion. Through its virtually unlimited discretion, the Treasury Department would have unwarranted power to determine where the impact of the social security taxes would fall with respect to great numbers of persons who should properly be classed as self-employed rather than as employees.

Here there is no question of coverage versus noncoverage. The persons involved should and will be covered as self-employed. The practical difficulties of treating great numbers of independent salespeople as employees will undoubtedly be again brought to the committee's attention by representatives of groups having a more direct interest in this question. We want you to know, however, that businessmen in general are opposed to this new effort to delegate to an administrative agency of Government the power to expand or contract the meaning of the word "employee" practically at will. There is little doubt in the minds of Illinois businessmen that the granting of such broad discretionary power will result in efforts to include as employees many persons who cannot be so treated from a practical business operating standpoint.

It is the position of the Illinois State Chamber that either the definition of "employee" should remain unchanged from the present statute or the fourth part of the new definition should be eliminated.

Liberalization of benefits

Illinois business favors liberalization of the benefits provided under the old-age and survivors insurance program. The extent of such liberalization is largely a matter of economics, of the extent of our individual willingness and capacity to set aside part of today's production for tomorrow's need, and of decision as to how much of our country's total productive capacity can safely be diverted from those who are actively engaged in productive activity to those who no longer produce.

After considerable study the conclusion has been reached that it would not be wise to raise benefits to the full extent provided by H. R. 6000.

The current urge for security is wholly understandable, and social security benefits should be as high as we can afford. But security cannot be measured alone in terms of future dollars payable. There is ample evidence to demonstrate that efforts to provide benefits in excess of our ability to pay for them can lead only to disillusion and disappointment.

To be specific, the State chamber approves of the $25 minimum primary benefit amount as provided in H. R. 6000, but favors a modest reduction in the maximum

primary benefit amount. A somewhat different formula for determining benefits above the minimum is also suggested.

Approval of the $25 minimum is contingent upon broadening coverage of the old-age insurance program and upon effective reduction and ultimate elimination of Federal spending through State old-age assistance.

The formula which we recommend for computation of benefits is as follows:

Fifty percent of first $100 of average monthly wage plus 15 percent of the next $150 (based on the maximum wage and tax base of $3,000 per year). This amount would not be increased by an increment. This would establish a maximum monthly primary benefit amount of $72.50 which would not be reduced by a continuation factor. (This compares with $84 after 40 years of coverage, under H. R. 6000.)

Retain the provisions of the present law relating to the determination of family benefits but fix a maximum of $125 per month. (This compares with $150 under H. R. 6000.)

It is recognized that use of our recommended formula would have the effect of immediately increasing costs. This is part of the price we are willing to pay in return for a shifting of the expense burden from the old-age assistance program to the old-age insurance program. This proposal further gives recognition to the needs of those retiring in the near future who have not had time to build up service credits either because of age or because they have been engaged in noncovered activities. It is further believed that elimination of these service factors will permit savings in administrative costs through reductions in record keeping requirements and in simplification of the benefit amount calculations.

The $72.50 maximum produced by our recommended formula, compared with $84 under H. R. 6000, is a result not only of elimination of the service credits but also of the retention of the $3,000 taxable wage base. The reasons for our opposition to the proposed increase to $3,600 will be set forth later in this statement. It will be noted that our proposal and H. R. 6000 both provide for 50 percent of the first $100 of average monthly wage, but that we would use 15 percent of the next $150 rather than 10 percent of the next $200. The effect of our proposal would be, therefore, to provide somewhat more liberal benefits at lower earnings levels. This is consistent with our fundamental belief that Federal old-age insurance cannot and should not do more than provide a basic minimum for subsistence. Only thus can we preserve our traditional incentives and encourage individual preparation for the future. We believe it to be of great importance to the future strength of our Nation to keep alive the desire and the ability of our people to provide for themselves to the fullest extent possible. Unless this is done, our very effort to attain security may lead to destruction of our tremendous productive capacity, which is the only real protection we as a Nation have against insecurity and want.

Lump-sum benefits

Our organization is opposed to the lump-sum death benefit provisions of H. R. 6000 under which payments would be made upon the death of all insured persons. We see no need for the Federal Government to embark generally into the life-insurance field. The life-insurance companies are doing a commendable job, and there is no national interest which justifies compulsory life insurance.

We believe that the present provisions of the law with respect to eligibility for death benefits should be retained and that the amount to be paid, should approximate that payable under the present statute.

Computation of average wage

H. R. 6000 provides for computation of average monthly wages by including only years during which certain minimum amounts have been earned in covered activity ($200 from 1936 through 1949 and $400 after 1949). Downward adjustments are made in the benefit amounts for periods prior to attainment of age 65, during which less than the prescribed amounts are earned in covered activity. This is accomplished by the introduction of a "continuation factor," the provisions relative to which seem to us to be extremely complicated and confusing.

The objective of the "continuation factor" is accomplished in the present law by dividing total wages earned in covered employment by the total number of months subsequent to 1936 (or the attainment of age 22) and prior to filing of application for benefits. We believe this to be a simpler way to accomplish the objective and consequently propose elimination of the continuation factor in H. R. 6000 and retention of the pattern of the present law.

We recognize that an inequity would result as to those being admitted to coverage for the first time should all months subsequent to 1936 continue to be included in the computation. It is our recommendation, therefore, that all months prior to 1950 during which a person was not engaged in covered activity should be eliminated from consideration in the computation of the monthly average wage.

Limitation on earnings of beneficiaries

We favor the provision in H. R. 6000 which would permit beneficiaries to earn up to $50 per month ($600 per year for the self-employed) without being disqualified for benefits. This provision should encourage beneficiaries to supplement the amounts received from social security, thus keeping them from being wholly unproductive. At the same time, the $50 level is low enough to prevent those continuing in full-time employment from drawing benefits.

Permanent and total disability insurance

The provisions of H. R. 6000 which would extend the coverage of the law to totally and permanently disabled persons meet with strong opposition from Illinois businessmen. Extension of the program into this completely new field would be undertaken without any adequate data as to prospective costs and without any showing that there is a national problem of sufficient importance to warrant intervention of the Federal Government.

The problem of providing protection for the aged is obviously of such scope and magnitude that solution is possible only at the Federal level. But what national emergency or country-wide problem exists to justify Federal action in the disability field? Of course, there are those who believe that every need or even desire in life is a proper subject for Federal legislation, but businessmen in Illinois do not agree. We believe that the problem of providing for those who are so unfortunate as to become permanently and totally disabled rests first with their families and secondly with the communities and States within which they reside.

Compulsory social insurance is a relatively new concept in this country, and here we have an unparalleled opportunity to subject such new concepts to practical operating conditions in the testing grounds of our 48 States. Would it not be wise first to experiment with this type of program in a few of our States if there is any need for compulsory insurance in this field?

Our belief is that the hazard of permanent and total disability is not a matter of such great public concern as to require compulsory insurance protection. Rather it is our view that the providing of such protection is primarily a matter of personal choice, subject always to the obligation of the State to provide for those who are unable through no fault of their own to provide for themselves. Such aid can best be supplied, controlled, and financed by the several States through their own assistance programs.

The taxable wage base

In the section of this statement dealing with the benefit formula we expressed our opposition to increasing the taxable wage base to $3,600 as provided in H. R. 6000. By computing benefits at the rate of 15 percent on $150 per month we produce a greater benefit amount than the 10 percent on $200 as provided in H. R. 6000. At the same time, by applying the tax schedule only to the first $3,000 of earnings we would preserve the incentive and the ability of those earning over $3,000 a year to make provision for their own future security.

Perhaps the most forceful argument against increasing the taxable base to $3,600 is the effect such action would have on the State unemployment compensation laws. It would seem obvious that it would be administratively wasteful to operate these two related programs with different tax bases. It would appear to be uneconomic to force the States to increase their wage bases when there is no demonstrated need to do so for either program. The reductions in cost which would result from adoption of our program of modestly reduced maximum benefits and elimination of disability benefits should offset the reduction in tax receipts caused by applying the rates to the first $3,000 of earnings rather than to the first $3,600. If additional revenue should be needed, it would be better to increase the rates rather than to operate with two different tax bases or to force an unneeded increase in unemployment compensation taxes.

Contribution schedule

A great deal would have to be written if any effort were made to record the varying viewpoints which have been expressed in the discussions of tax rates

at Illinois State Chamber social-security committee and board of directors meetings. Vigorous support could be found for any position all the way from putting the whole program on a strict pay-as-you-go basis to the establishment of rates which would immediately cover full accruing liabilities.

It would serve no useful purpose to review the arguments advanced by the proponents of the varying views. Suffice it to say that in the end a common ground was found on the basis of approving the rate schedule of H. R. 6000. Many found it possible to support this conclusion on the ground that the 2 percent rate on employer and employee would be effective from 1951 to 1960 and that ample opportunity will exist for further study and decision on this phase of the matter before the latter date.

PUBLIC ASSISTANCE AND WELFARE SERVICES

Here again we come to a subject about which there is little or no divergence of opinion among Illinois businessmen. They are unequivocally opposed to the extension of Federal participation in this field and insist that extension of coverage and increases in benefits under the old-age and survivors insurance program must go hand in hand with a reduction and ultimate elimination of Federal spending for relief. The public assistance provisions of H. R. 6000 are, of course, completely incompatible with this view.

The length to which this statement has already grown will not permit individual discussion of the various extensions of Federal aid to the States for their distributions to the needy. We are strongly opposed to all such extensions and for about the same reasons in every case. We believe that the greatest single threat to the continued well-being of our Nation, aside from the threat of war, is the prevalence of the idea that we have an inexhaustible Federal treasury upon which we can draw to meet our every need. The separation of the tax raising from the tax spending agencies contributes much to this illusion.

We believe that once the old-age and survivors insurance program is extended the Federal Government can and should begin an orderly withdrawal from the field of providing assistance to the needy. That task can be handled more efficiently and economically by the States, and if Federal spending is curtailed so that more tax sources can be kept available for the State governments, there is no reason why the assistance programs cannot be financed by State taxation. Only thus can those responsible for distributing aid be responsible also for raising the needed revenue, and only thus can some measure of control over such expenditure be regained.

CONCLUSION

We have approached our task of speaking on this important subject for Illinois business with a sense of responsibility. The positions which have been taken represent the thoughtful and considered judgment of many responsible men. This is the basis upon which claim is made for your consideration of these views.

We appreciate the fact that your responsibility to guide the thinking and decisions of the Congress is great. We can only hope that this presentation of views may prove to be helpful to you in the discharge of that responsibility.

The CHAIRMAN. Do you wish to supplement that?

Mr. STURTEVANT. I would like, then, if I may, to briefly bring to your attention orally some of the aspects of our position in respect to H. R. 6000, as a supplement to the prepared statement.

I think, Mr. Chairman, at the outset, I should make it clear that the Illinois State Chamber is of the opinion that the Social Security Act does need revision and liberalization. I also think I should make it clear that all of the recommendations which we make with respect to extension of coverage and liberalization of benefits are contingent; contingent upon a willingness on the part of the Congress, as embodied in legislation, to start on a program of withdrawal from the field of State old-age assistance programs.

We believe that, at the outset of the social-security program, the entrance of the Federal Government into the State assistance programs was largely intended as a stop-gap measure, because it was

recognized that the social-security system was not going to be broad enough in coverage, not going to be adequate for a good many years, and that consequently there would have to be some interim assistance to the States.

We believe that as coverage is extended, and as benefits are liberalized, as we shall propose, there can and must be a withdrawal, an orderly withdrawal, of the Federal Government from this State field.

Now, going to the specifics of some of the aspects of the bill, I would like to speak first on the question of extension of coverage. We believe that the Social Security Act should be broadly extended to cover all employed people and self-employed to the extent that it is administratively feasible. We believe that in the present bill the exclusion of farmers and professional people is not justified. We do oppose, however, the extension of the act to the Virgin Islands and Puerto Rico at this time, on the ground that the situation there, in those islands, presents a problem that is so vastly different from that which exists in the continental United States that it should be solved separate and apart from the program as applied to the United States.

As to favoring the broad extension of coverage at this time, we do it partly with a realization that the extension of coverage on a piecemeal and continuing basis would create new problems in the future, because every time you bring in a new group of people, such as we are contemplating doing now, you create problems of inequity between the newly covered and those who have been covered.

We feel that we are already in the position now of having to take positions for those who have been in covered employment for a good many years, which we probably would not want to take if it were not for the inequities which might be created as to those who are just being brought into the program.

Senator MILLIKIN. May I ask this question, Mr. Chairman?

How do you distinguish that from the private insurance company? New people are coming in every day; new people are going out every day.

Mr. STURTEVANT. That is right. But they do so on a voluntary and not on a compulsory basis. And the benefits which they buy under the private insurance programs, of course, are directly linked to the amount of financial contribution which they make. And while there is a relationship between the tax cost in this program and the benefits, there is not the same relationship.

Senator MILLIKIN. In other words, you are saying that the public is making a substantial contribution to the whole system?

Mr. STURTEVANT. Correct; a very great contribution, which may grow as time goes on.

Senator MILLIKIN. Do you believe in compelling professional people to come in, if they do not want to come in?

Mr. STURTEVANT. Yes; since social security as a whole is a compulsory program, we see no reason why that segment of our economy should be singled out and excluded.

Senator MILLIKIN. Is there not a distinction, though, in the case of a man who has at least a theoretical independence and who elects to take the gains if he can get them of our system so-called free enterprise, and who elects theoretically to take the losses, once having made that plunge? Is there not a distinction there, between that kind of a

man who is a worker and who is not in the same position to be independent?

Mr. STUREVANT. If that man is willing to take his chances on his own future security and make no claims upon State public assistance programs, which are largely federally financed, then I would say yes, personally, to your question.

Senator MILLIKIN. Well, of course, if he made a mistake in judgment and reached retirement age and were genuinely needy, you could not let him starve on the theory that he had made a mistake 30 years before.

Mr. STUREVANT. Well, Senator, is that not really the whole fundamental principle of compulsory insurance: to protect people against making mistakes of that kind in their early and productive years, so that they cannot be permitted to ride free at the time they reach the retirement age?

Senator MILLIKIN. Well, then, what you are suggesting, as a representative of a great business organization, is that you can elect to take a risk in business, and take it, and if it turns sour then you are going to have your bad judgment bailed out? Now, that would be a nice game to play all along the business front. I do not know of any businessman who is taking his risks who would not like to be bailed out if he loses. And there are a whole lot of businessmen who are directing their philosophy in that direction.

Mr. STUREVANT. I agree completely with that. But is it not true that the extension of coverage to self employed business people is subject to the same criticism that you make? In other words, I do not see that a lawyer is any more taking a risk than is a grocery man.

Senator MILLIKIN. But he is theoretically the complete master of his own professional affairs—theoretically.

Mr. STUREVANT. Differently than a grocery man, who runs his own store?

Senator MILLIKIN. No, I would not say that. But that raises the same question that I raised at the beginning.

Mr. STUREVANT. You perhaps would not go even as far as H. R. 6000 now does?

Senator MILLIKIN. I am asking you to distinguish, to bring into consistency, if you can, your doctrine as it relates to those who take the risks of our so-called free enterprise system, take them with open eyes, and as it relates to those who are not in position to take those risks, who have to have the security of being on a pay roll, and who are willing to forego some of the alleged profits of the free-enterprise system in order to get that wage envelope every Saturday night. There is a distinct distinction between the two. And you have merged them.

Senator KING. If I understand the witness, I believe he is saying that if we permit professional and other self employed to stay out, but at the same time make provision for them to come under the assistance program in the case that they need it, then we are doing that which amounts to giving them the benefit of their choice if they win but giving them the security if they lose, without their having made a contribution to it. Is that the gist of it?

Mr. STUREVANT. I think that is much better stated than I have stated it, sir.

Senator MILLIKIN. And that is the way it is now, and that is the way it has always been, even under the old discredited poorhouse system.

Mr. STUYVESANT. If I could have any assurance, and I am speaking personally now, if I may, because the chamber has taken its position as a matter of record, I would say that if there could be any kind of assurance that these men that you are talking about, being excluded now, would not be brought in a few years from now, to again upset the system and again cause us to have a readjustment of benefits, I personally would be perfectly willing to see them excluded.

Senator MILLIKIN. I respectfully suggest that you will not have to wait until you have a hump on your back before this act is revised again.

Mr. STUYVESANT. That is what I fear.

Senator MILLIKIN. And I most respectfully suggest that your businessmen make up their minds whether they want the free enterprise system or whether they do not.

Mr. STUYVESANT. If I might again speak personally, it might be perfectly proper for me to say that if we were choosing between a socialized compulsory insurance program and no such program, perhaps our position would be entirely different.

Senator MILLIKIN. You had better see whether you have not made that choice in your statement.

Mr. STUYVESANT. I am afraid the country has made it, sir.

Senator MILLIKIN. That worries me.

Mr. STUYVESANT. It does me, too.

Senator LUCAS. I want to defend my friend from Illinois and say that businessmen in Illinois believe in the free enterprise system, notwithstanding that my good friend from Colorado might have inferred otherwise.

Senator MILLIKIN. I have not made any inference, Senator.

Mr. STUYVESANT. If I may, I should like to say that actually our principal concern is not with this particular question. It is important. But as a matter of fact, we take no very strong position about inclusion or exclusion of the professional people. I mean, we merely say that as a matter of principle if we are going to have this system, and if we are going to be called upon all the time for greater grants in aid from the Federal Government to the States, and if we are going to be called upon constantly in the future to expand this program, we had better make up our minds to do it now and get them all in, and make them pay their way.

Senator MILLIKIN. I respectfully suggest, sir, that you relax and prepare to enjoy the very thing that you do not like.

Senator LUCAS. Let me ask you this: Do you know of any States in the Union that are shying away from coming here to Washington and getting this Federal help?

Mr. STUYVESANT. If you mean the State legislatures and the people who are receiving those benefits, sometimes without proper investigation, no. If you mean the responsible business sentiment and the responsible sentiment of, I think, a great many people, I would say they don't want it.

Senator LUCAS. Let us assume that the responsible business people and other responsible people in the community elect the representatives who go down to Springfield or any other State capital. They are presumed to represent you people down there. But in my experience here in Washington, I have found no Governors, no State legislatures,

that are not coming down here every year and trying to get all the money they can get from the Federal Government.

Mr. STURTEVANT. That, to my mind, and you will find it from our statement, is one of the things which we believe is among the greatest threats we have to the continued prosperity of this country. The separation of the tax spending from the tax raising seems to me to be one of the great evils of our age. It is very easy for people in government, in local government, to spend Federal funds, where they are not responsible directly for the raising of those funds. They are human and subject to the same urges as anyone else to come to Washington and get what they think may come from some other source. Where they think the money comes from is a mystery to me.

Senator KERR. Practically everybody you know is human, is he not?

The CHAIRMAN. All right. Proceed with your statement, sir.

Mr. STURTEVANT. With respect to the related question of definition of "employee," I should like to state our strong opposition to the new definition, particularly to paragraph 4, which grants very broad and practically unlimited discretion of coverage or noncoverage of certain segments of our people. We see no reason for changing the definition of "employee" in the present act. This matter of coverage of employees or the definition of "employees" was very exhaustively studied by this committee when the Gearhart resolution was adopted, and I think rather substantially approved.

We see no reason, particularly now that extension of coverage is going to be granted to self-employed, for bringing these people in as employed people, where the mechanics of their coverage are going to be extremely difficult, if not impossible. We will perhaps leave that for further expansion by particularly interested groups, but we do want to register with this committee the general feeling of Illinois business that there is no need for extension or change in the definition of "employee."

Senator KERR. You think the extension should be by direct legislation and not by definition?

Mr. STURTEVANT. Not by administrative definition and discretionary action, which we have had too much of in this country, I believe.

The CHAIRMAN. I think there is a good deal of force in your observation, since we are proposing now to cover the self-employed anyway.

Mr. STURTEVANT. That is right. You are not talking about coverage versus noncoverage.

The CHAIRMAN. Yes. I understand. There are many sound reasons, it seems to me, why some person who is not an employee should be permitted to maintain his identity as an independent operator or businessman. Otherwise, you have monopoly in this country now. Do not worry about that. We can resolve here all we please about it. But carried to its logical conclusion, it just means that.

Mr. STURTEVANT. We think that there would be great complications, too, caused by this definition when it comes to the possible extension of that same action to people who are under State unemployment-compensation acts. For example, the really self-employed people, who would fall within the new definition of the act, certainly could not feasibly be brought within unemployment compensation. And still there is some advantage, it seems to me, in keeping those two acts somewhat correlated.

Now, on the question of liberalization of benefits, we have developed a formula which is somewhat different from that in H. R. 6000. To some extent it is more liberal, and to some extent it is perhaps less liberal. We do favor the increase in the minimum to $25 per month.

We would determine benefits, however, under a formula under which the benefit would be 50 percent of the first $100, as is the case in H. R. 6000, and 15 percent of the next $150, as distinguished from 10 percent on the next $200 as provided in the pending bill.

Our formula also contemplates no service increment and no continuation factor. The result would be that our formula would produce a maximum of $72.50 per month, as distinguished from $84 per month after 40 years of service, under H. R. 6000. I think perhaps it might be helpful just to illustrate the operation of our formula, very briefly. Under H. R. 6000, if we take a man with a $300 average salary, he would get $50 for the first $100 and $20 for the next $200, or a total primary benefit of $70; and then, in this illustration if we assume coverage continues for 5 years, the increment would produce another $1.75, or $71.75.

Now, on the basis of our proposal, he would get $72.50 under that same situation, because we operate only on the first $3,000 of annual salary, rather than on $3,600.

The CHAIRMAN. You think the wage base should remain at $3,000?

Mr. STURTEVANT. Rather than being increased to $3,600?

The CHAIRMAN. To $3,600 or $4,800, as has been suggested by the Administrator?

Mr. STURTEVANT. Correct. We believe there are many advantages in keeping the wage base at $3,000. Particularly when the program is related to the State unemployment programs, we see no need for an increase in base for State unemployment compensation. We see no need of it, and we see many complications, particularly under the many private pension plans which have been developed on a $3,000 wage base. We think that maintenance of the $3,000 wage base will also permit greater individual opportunity for self-preparation for the future at levels above that. We think our formula is somewhat more liberal for the lower-income group, and that it is much simpler and works without complication of the increment and the continuation factor, which we find rather confusing.

The effect would be to increase the cost immediately. Our program would increase the actual expenditures, we believe, under social security at this time. But we believe that in so doing, we will be bringing benefits to those who are in more immediate need. And as I said at the beginning, it is linked with an absolute condition that the Federal Government gradually get out of the State-assistance field.

Senator MILLIKIN. I realize that the level is different in different parts of Illinois, but generally speaking, what would you say is the average subsistence minimum in the State of Illinois?

Mr. STURTEVANT. Well, I don't really feel qualified to answer that, Senator. I mean, I am not an economist.

Senator MILLIKIN. Well, it has great bearing on what you are talking about.

Mr. STURTEVANT. But I would say that even our $72.50 maximum probably needs some individual supplementation.

Senator MILLIKIN. All right. Now, a moment ago you recommended a $25 minimum. How are you going to make good the difference between the minimum and whatever you say is your subsistence level in Illinois?

Mr. STURTEVANT. By State action, unassisted by Federal funds.

Senator MILLIKIN. If the State will not act?

Mr. STURTEVANT. Well, we believe that the States, given the opportunity and perhaps some minimization of Federal taxation, can and will bear their own burdens. In other words, it is going to cost us money, whether it comes from the Federal Treasury or whether it comes from the State treasury.

Senator MILLIKIN. I suggest to you that the reason we are here is because of the refusal of local communities and States to take hold of the thing and do the job on their own. Now, what makes you think that if we gave them another opportunity to do that they would do any different than they have in the past?

Mr. STURTEVANT. Well, in the first place, you would have a basic floor of $25, which, as you say, is a minimum. And we do not suggest that the Federal aid to the State-assistance programs be completely abolished at once.

Senator MILLIKIN. A slow-strangulation process?

Mr. STURTEVANT. All we say is—and I would like to cover it later—that we certainly and vigorously oppose the expansion of these benefits.

Senator MILLIKIN. I respectfully suggest to you as a practical matter that you cannot maintain the $25 minimum without continuing Federal grants-in-aid for public assistance.

Mr. STURTEVANT. I believe you are correct, Senator, to some extent. And that is why we say that the Federal participation should be minimized and there should be an orderly withdrawal. This $25 minimum under our proposal will not be effective for very long, we hope. We think that with the extension of coverage, and with people in the present employment market, they are going to be earning benefits far in excess of that, under the Federal program. And the residue which the State will have to carry will, we hope, be so substantially reduced that they can carry at least most of the burden, particularly if they only make distributions to those who really need it.

Senator MILLIKIN. If your clients read your testimony, they will see very clearly that you are against sin.

Mr. STURTEVANT. Now, with respect to the computation of benefits, I think I should bring out a very closely related matter, our view with respect to the computation of average wage. We prefer the continuation of the pattern of the present law to the adoption of the new approach of a continuation factor. We recognize, however, that it would not be proper and feasible to take all those people who are being brought into the coverage of the act currently and penalize them by dividing by the number of months of time since 1936. So we propose that in the computation of the average wage, the months of time during which people were in noncovered employment prior to 1950 should be excluded. However, from here on, again, starting from this new starting base, we think that every month of passage should be included in the divisor, so that there will be that penalization for those who do not continue in the employment market and continue in the payment of premiums.

Now, the effect of that would be to penalize those who are in and out of the employment market somewhat less stringently than the continuation factor would do it. And again, we do that in the hope and expectation that something will be done about Federal aid to the States, and the minimization and reduction of that activity.

Senator MILLIKIN. What you are proposing, in a word, is this: You want to shift your general tax burden in Illinois to the employer and the employee; or a part of your general tax burden?

Mr. STURTEVANT. In part that is true. We believe, in other words, to the extent we possibly can, in making this contributory Federal system work, since we have it.

Senator MILLIKIN. To the extent that you decrease your general tax burden in Illinois, we will make up the reduction by bringing the savings down here to Washington.

Mr. STURTEVANT. We would hope that you would leave it there for us to do something with, ourselves.

On lump-sum death benefits, we oppose extension of the lump-sum death payments to all covered people. We don't think there is any necessity for the Federal Government to enter into the life-insurance field on a Nation-wide compulsory basis. We feel that the granting of death benefits under the present terms of the act is an equitable provision for the taking care of those who pay premiums and then die and do not recover their benefits, but we do not believe it should be extended. We think the life-insurance companies are doing a commendable job in the life-insurance field, and we do not favor the extension of the social-security act into that field on a widespread and all-inclusive basis.

We also go along with H. R. 6000 on the provision which would permit beneficiaries to earn up to $50 a month without being disqualified. We think that is more consistent with the present economic situation than the $14.99 that they now can earn. We think, too, it will have some measure of inducement for people to help supplement their benefits, which necessarily must be modest, and permit them to help themselves.

On permanent and total disability, we should like to register our very strong opposition to the extension of the Federal Social Security Act into the field of permanent and total disability benefits. We see no national situation, no national emergency, no problem which needs to be solved by compulsory insurance, at that level. We feel that that is again a problem which should be solved at the State level, and we very strongly urge that we do not extend the Federal Government into this field, where there is certainly no adequate data as to probable costs and there is a tremendous problem of policing those who claim to be totally and permanently disabled. Even the insurance companies are very loath to enter into that field on any broad basis. And we believe that the matter of taking care of those people—and they have got to be taken care of if they are in need—should be left, first, to their own families. That is the way it should be handled in our traditional way. If they cannot be so taken care of, then we feel the States should handle their own burden of that kind. We don't feel that that is a national problem.

I have already commented on the taxable wage base of $3,000. On the contribution schedule, the tax schedule, there is a day's discussion

that could be had on how that should be handled, I suppose, but after much discussion we have gone on record as favoring the rate schedule set forth in H. R. 6000. I think it is proper to say that some of us have been willing to do that, knowing that the 2 percent rate called for by the present act, which would be effective from 1951 through 1960, will leave ample opportunity for further study as to the tax rate, and there is not much difference between the present tax schedule and the proposed tax schedule prior to 1960.

Now, the next portion of my statement is devoted to public assistance. I think I have made myself fairly clear as to our position on that, as being very strongly opposed to the extension of the public assistance provisions as proposed in H. R. 6000. We are not proposing specific legislation to minimize them at this point, but merely registering our position that there has got to be, we believe, a withdrawal.

The CHAIRMAN. Do you want the assistance programs to rest on what you hope would be a declining scale, rather than an increasing program?

Mr. STURTEVANT. Correct. We believe that was the original intention of the people who established this act. We are very much concerned over the fact that the trend has been absolutely in the opposite direction. And so we want to register our hope that ways will be found to minimize that part of the program.

The CHAIRMAN. There is considerable number urging us to go all the way on the assistance program and let the old-age and survivors insurance program alone and forget it. What is your position on that?

Mr. STURTEVANT. Well, of course, we are opposed to that. After all, it is very nice to talk about taking care of every one from the Federal Treasury, but the Federal Treasury has to get its money from the people just the same as anybody else does; and that money has to come from productivity. There is no magic way to create any retirement benefits or to take care of our people, except from the productivity of those who work. And we don't want to see anything done which will lessen the incentive of people to produce, because if it were not for the tremendous productive capacity of this country we would have struck the rocks long ago. It is only through our tremendous productive capacity, and the continuation of it, that we can see any hope for the future.

Senator MILLIKIN. How many deducts do you think our economy can stand? Along with dues, taxes, social security, it is now proposed that we have national health insurance deducts. The limit is only the limit of the imagination. Have you done any research on how many deducts the economy can stand?

Mr. STURTEVANT. Not that I can report, at least. That is a question, too, I suppose, of how much our dollars are going to be worth one of these days. If we keep on subtracting more and more, they are going to keep on demanding more and more of that which is left. And that goes on to the costs of our goods. Ultimately we can't have anything but further and increased cost of our goods.

Senator MILLIKIN. Would you not say that certainly that problem, if it is going to be met, will have to be met by a constant increase in our productivity, sufficient to render those deducts bearable?

Mr. STURTEVANT. As I see it, there is only one way to solve our problem on that, and that is through increased productivity in the future.

Senator MARTIN. May I ask a question, Mr. Chairman?

The CHAIRMAN. Senator Martin.

Senator MARTIN. In your study in Illinois, has productivity kept up with inflation? Has increased productivity kept up with the inflation, the decrease in the value of the dollar?

Mr. STURTEVANT. Well, I am not really qualified to answer your question, Senator. I am not an economist. But I would say "no," just as a matter of my own personal reaction and opinion.

Senator MARTIN. I think that that is the thing that an organization like yours ought to study and give a lot of consideration to. Because I am just wondering, sometimes, whether we are not merely fooling ourselves, and whether we have really increased our productivity as much as we think. There is no question but that the over-all income of America has greatly increased. But there is the question of whether it has increased because of increased productivity or because of the devaluation of the dollar.

Mr. STURTEVANT. There is certainly some increase, to a large measure I should think through technological improvements.

Senator MARTIN. Well, of course, we are entitled to count that. That is a part of it.

Mr. STURTEVANT. And how much of that offsets the other factors, I think, is a matter, as you say, which certainly warrants study, and I am sure it is being given great study by economists for business.

Senator MARTIN. I do not mean a study by economists. I mean a study by men that meet pay rolls, and meet dividend requirements, and so forth and so on.

Mr. STURTEVANT. I was thinking in terms of economists who are in business, and not necessarily——

Senator MARTIN. I am not criticizing economists.

Mr. STURTEVANT. I understand.

Senator MARTIN. But we have got to a place where we have to use some good hard-headed sense, and get down to brass tacks.

Mr. STURTEVANT. I certainly concur in that view.

Senator KERR. How long have you been associated with the Illinois State Chamber of Commerce?

Mr. STURTEVANT. Well, I am not associated with them in an official capacity at all.

Senator KERR. I understand that. But how long have you been associated with them?

Mr. STURTEVANT. As a member of the committee? I have only been on the social security committee and another committee for a matter of 2 years, myself.

Senator KERR. I personally want to thank you for your very fine presentation of the factual data you have given us. And I rather gather from what you said that apparently there are a greater number that are doing better than ever before.

Mr. STURTEVANT. A greater number of people?

Senator KERR. Yes.

Mr. STURTEVANT. Well, certainly our economy is at a very high level at the present time. Whether or not that is due to spending the next generation's productivity or our own may be open to some question.

Senator KERR. I was just wondering, here, whether we were discussing causes for a situation after agreeing as to what the situation was, or differing as to what the situation and the causes both were. We are kind of in accord that the level is about the highest we have ever known—you and I.

Mr. STURTEVANT. There is certainly no doubt about that from a dollar standpoint. I think it is true, probably true, from a net-worth or spending-power-of-the-dollar standpoint. But, as I say, I am not sure personally—and I am very humble about this—as to what the answer is going to be in the future. We can all live lavishly if we borrow money and spend the borrowed money. I could make a great splash if a bank would loan me enough money to go out and have a very high level of spending ability today. I am somewhat afraid that our whole national economy is in that position. And I am not saying that with any feeling that I am the one who has authority enough to say where we are heading. But there are certainly many of us who have great concern as to whether or not our apparent high level of today is a result of real prosperity, or whether it is the result of spending what will have to be produced by the next generation.

As I say, I am sure I have the support of many of you who have been worrying about what may come in the future.

Senator KERR. You think, then, the more prosperous we are, the more we ought to worry about it?

Mr. STURTEVANT. Not if you are talking in terms of real prosperity. But if it is borrowed prosperity, that is another thing.

Senator MILLIKIN. May I congratulate the witness on his answer. And may I suggest, in connection with Senator Martin's comment, that we have not increased our individual productivity during the last 10 years. May I suggest that the productivity that has increased quantitatively is the result of the enormous addition to our labor force; that we have not in fact increased the productivity of our individual worker for 10 years. And prior to that time we had an average annual increase of that kind of about 2 percent, from 2 to 3 percent.

The CHAIRMAN. Any further questions?

If not, we thank you, sir, for your appearance and for your contribution to the issues that we have to face.

Mr. STURTEVANT. Thank you, Mr. Chairman.

(The following statement was submitted for the record:)

STATEMENT OF HAROLD B. GOEBEL, REPRESENTING THE ILLINOIS STATE CHAMBER OF COMMERCE

Mr. Chairman and gentlemen, my name is Harold B. Goebel. I am comptroller of H. D. Conkey & Co. of Mendota, Ill., and a member of the social-security committee of the Illinois State Chamber of Commerce. The Illinois State Chamber of Commerce is a State-wide civic association made up of 8,000 businessmen from all types of enterprise in 242 Illinois communities. Its social-security committee has given long and serious consideration to the provisions of H. R. 6000, discussing them from the standpoint of their effect on business and our entire economy. One of our members has presented a statement and testified before you generally on the provisions of this legislation. This statement concerns only one of these provisions, that pertaining to the definition of "employee" and I would like to outline one of the reasons, among others, why

our organization recommends no change in the present concept of employer-employee relationship under social security. That reason relates to the effect the proposal would have on my own and similar companies.

The company which I represent is in the "small business" category and no doubt is representative of the thousands of businesses in the same group. Due to its size and the type of products produced, it has for years marketed its goods largely through the medium of manufacturers' representatives. The general method of operation of a manufacturer's representative is to represent a number of companies in allied lines which are noncompeting. A manufacturer's representative may be an individual, a single proprietorship, a partnership or even a corporation. Regardless of business structure, the relationship between our company and the representative is exactly the same.

A manufacturer's representative's compensation is derived entirely from commissions based on shipments into the territory in which he operates. Out of these commissions he must pay his travel and business expenses, hire the employees who work for him and generally finance his entire operations.

Based on current interpretations and observations of the change proposed in part 4 of the definition of "employee," it appears we and others in a similar position are headed for a muddle which may prove very costly. We have always taken the position, and rightly so, that these manufacturer's representatives are independent contractors. Should H. R. 6000, in its present form, become law, it is conceivable that these arrangements might be construed to give rise to an employer-employee relationship—depending upon the whim and fancy of the Treasury Department. Such a conclusion would be erroneous.

In our company the same sales arrangement is used for all the types of representatives mentioned in an earlier paragraph. In view of this it is difficult to foresee how we could be expected to determine what basis to use for withholding the necessary taxes or reporting earnings. To a business world already overburdened with red tape, regulations, and record-keeping requirements, such an additional unwarranted load might bring dire results.

Consider also the dilemma of the "employee." He is ruled an "employee" of the three, four, five or more firms he represents. Each of them collects social-security taxes from him, perhaps even the maximum in each case. He must file a claim for refund, getting a statement from each of his so-called employers as to the amount of tax deducted. The employers on the other hand have each individually paid social-security taxes on the same person's earnings in their respective amounts. They, however, have no recourse in getting a refund on the excess they have paid.

Along the same vein, and following the reasoning in the present income tax withholding regulations, this same "employee" would be caught in a maze trying to file a W-4 form with his "employers." If he claimed his exemptions with all of them his withholding would be wholly inadequate. If he tried to apportion his exemptions he would guess wrong and probably overpay. A mess any way you look at it.

H. R. 6000 already extends social-security coverage to those individuals by including them as self-employed. The proposed change would only confuse the issue by also trying to make them employees. It does nothing to extend coverage to a single individual and in our opinion the definition of "employee" should remain unchanged from the present statute, or the fourth part of the definition in H. R. 6000 should be eliminated.

The CHAIRMAN. At the special request of Senator Kerr, I would like at this point in the record to insert a statement on social security by Harvey M. Black, executive secretary of the teachers' retirement system of Oklahoma, and chairman of the National Council on Teacher Retirement.

(The statement referred to follows:)

STATEMENT ON SOCIAL SECURITY BY HARVEY M. BLACK, EXECUTIVE SECRETARY OF THE TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA, AND CHAIRMAN OF THE NATIONAL COUNCIL ON TEACHER RETIREMENT

(The National Council on Teacher Retirement is a department of the National Education Association)

From numerous contacts with the teachers of Oklahoma which have been made primarily for the purpose of ascertaining their thinking in the matter, I am

convinced that the teachers of this State are opposed to the provision in H. R. 6000 whereby members of the teachers' retirement system of Oklahoma may be brought under Federal social security through a referendum vote. On behalf of the members of the teachers' retirement system and the National Council on Teacher Retirement, I respectfully request the Finance Committee of the United States Senate to strike out section 218 (d) (1) (beginning with line 10, p. 82, to and including line 17, p. 83) of H. R. 6000 and substitute therefor the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

The reasons for opposition to the referendum provision are as follows:

1. It is reasonable to assume the State of Oklahoma would not provide both a teachers' retirement and a social-security program for its teachers while other State employees enjoy only social security. Should the State attempt to provide both programs, the cost would be so great it would soon become prohibitive to both the State and the teachers.

2. The teachers of Oklahoma believe in their State retirement program and in its ability to give them the benefits to which they are entitled. H. R. 6000 provides for placing those now under a State retirement program under social security by a two-thirds majority under a referendum vote of persons in positions covered by the State retirement program. The information needed by the voters in this referendum would be technical in many respects, and many persons eligible to vote would not understand the questions involved sufficiently to make a wise choice, or might not vote at all. Persons advocating the extension of social security to public employees would have greater facilities for propaganda than do retirement systems and education associations, and such propaganda could be misleading.

3. Benefits under the State teachers' retirement program in most cases are higher than those offered by social security when considered on a lifetime of service or of 30 years or more.

4. Since a large proportion of teachers are single women, and social-security benefits are predicated upon a family situation, a vast majority of the teachers would pay for benefits under social security which they could never collect.

5. Evidence of the propaganda program which probably would be set in motion if H. R. 6000 becomes law, with the referendum provision for bringing State employees now under retirement systems into social security, has already been shown in Oklahoma. Representatives of social security in Oklahoma secured and maintained a booth in the exhibit hall of the Oklahoma Education Association during its convention October 12–13–14, 1949. Visitors at this booth were informed that teachers should avail themselves of the opportunity to be placed under social security when H. R. 6000 becomes law because there is no reason why they should not have both social security and teachers' retirement.

6. The National Council on Teacher Retirement at its annual convention in San Francisco, February 21-22, 1949, after a study of this problem which has extended over a period of several months, adopted the following resolution:

"Whereas the National Council on Teacher Retirement of the National Education Association has recommended the judicious extension of professional security and of sound State and local retirement systems and has opposed the extension of Federal social security legislation to include employees of school systems unless established and approved State and local systems are continued and protected; and

"Whereas it is believed that additional bills will be introduced in the 81st Congress making it lawful for the several States to enter voluntarily into compacts and agreements with the Social Security Board, whereby public employees may receive the benefits of old age and survivorship insurance of the Federal Social Security Act: Now therefore be it

"*Resolved*, That in order to insure the continued security of established systems the National Council hereby petitions the Congress of the United States expressly to prohibit even under voluntary agreement with the several States the extension of the benefits of old-age and survivorship insurance of Federal social security to any State, county, municipal, or school district employees already covered by existing retirement systems; and be it further

"*Resolved*, That a copy of this resolution be sent to each member of the present Congress."

The above resolution was adopted unanimously.

In the name of the teachers of Oklahoma, and as Chairman of the National Council on Teacher Retirement, I respectfully urge that the Finance Committee of the United States Senate amend H. R. 6000 in such a way as to exclude from membership in social security those now under State and local teacher retirement programs.

The CHAIRMAN. Mr. Robert J. Adams?

Will you identify yourself for the record, Mr. Adams?

STATEMENT OF ROBERT J. ADAMS, JR., CHAIRMAN, LEGISLATIVE COMMITTEE, NATIONAL CONFERENCE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS, PHILADELPHIA, PA.

Mr. ADAMS. My name is Robert J. Adams, Jr. I am a teacher in the Philadelphia school system, and I am here as a member of the Pennsylvania State Teachers Retirement Fund unofficially, and officially to represent the National Conference on Public Employee Retirement Systems.

I have already filed my statement with the committee, and I am going to ask, therefore, that I be permitted to emphasize certain points in it that I would like to bring out, rather than to read the entire material.

The CHAIRMAN. Do you wish the whole statement entered in the record?

Mr. ADAMS. Yes; I wish it printed in the record.

The CHAIRMAN. Your whole statement will be entered in the record, and you may emphasize such parts of it as you wish.

(The statement referred to follows:)

STATEMENT OF ROBERT J. ADAMS, JR., NATIONAL CONFERENCE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS

Gentlemen, my name is Robert J. Adams, Jr., a senior high school department head, of the public schools of Philadelphia. I am a member of the Pennsylvania Public School Employees' Retirement Fund, and expect soon to be an annuitant thereof. I am not an employee of the fund, and have no official connection with it, save as a contributor. I am secretary of the National Conference on Public Employee Retirement Systems, and chairman of its legislative committee. I am here by direction of the delegates to the 1949 annual convention of that organization, held in Detroit, May 19 and 20 of last year. The officers of the conference draw no salaries, are elected, and have no financial interest at stake as representatives at this hearing.

As a glance at our letterhead will show, the conference is national in distribution, with member groups in 31 States, Hawaii, and the District of Columbia. These groups have a total dues-paying membership of approximately 350,000 public employees. Save for perhaps 10,000 annuitants, we are all public-employee members of existing State or local annuity-pension systems. We consider our retirement rights and benefits under those systems superior to those offered under any proposed plan for social security.

We are, we believe, a unique group in that we come to you not to ask for something, but rather to ask not to be given something. We do not ask that you deprive any other group of anything, or make it impossible for other groups to have social security if they wish it. Our request is simply this: Let us remain as we are. This will require no item in the Federal budget, and make us happy.

We like our own systems; we have fought for their creation and improvement; we have paid our contributions into them; we are now asking you to make certain that we shall, when the time for our retirement comes, be certain of enjoying the benefits we have worked to establish.

We wish you to consider favorably the following amendment to H. R. 6000, strike out section 218 (d) (1) (beginning with line 10, page 82, to and including line 17, page 83) and substitute therefor the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

This amendment will have the effect of making it impossible for voluntary compacts to be entered into covering under social security those of us in existing public employee retirement systems.

It will be asked: Why will we not be protected by the clause which requires a referendum of members of each existing system? To answer this requires attention to a number of points:

1. The Federal Security Administrator, as an agent of the Government, will undoubtedly present the agency's case to every public employee involved in any referendum. Booklets of facts and figures will follow each other to convince the employee that he can have social security at almost no cost to him, and have it added to his existing pension. Speakers will come from Washington to add to the conviction. Cost will not be counted. Experts in propaganda and public relations will be called upon. Radio publicity, which we certainly cannot afford, or easily secure, will play its effective part.

On the opposing side will be public employee organizations like those in our Conference, many of which have little in the way of financial resources, and often even less in the way of machinery adapted to carrying on a day-to-day campaign. The referendum would resemble a political battle with one side having an unlimited supply of funds and professionally trained speakers, while the opponents would have little money and only volunteer workers untrained in the fields of propaganda and public relations.

2. The provision for the referendum is vague and ambiguous. It sets forth a requirement of two-thirds affirmative vote for approval, but does not state whether that means two-thirds of those voting, or two-thirds of all entitled to vote. If the required vote of approval covers only those voting, it is obvious that the affirmative might rest upon the vote of a very small number of the total eligibles.

If a two-thirds vote of all eligibles is to be required, then the referendum provision should say so in unequivocal language.

3. The provision that those already retired in the given system should vote is strongly questioned by present members. In effect the referendum would ask the retirants to vote on this question: Would you favor the possibility of securing additional social security payments, these being added to your existing annuity, at no risk to your present status? Only a very self-sacrificing person could be counted on to vote "No" under such circumstances, regardless of the possible effect on those not already retired.

4. Public employees commonly show little interest in reading technical material, or explanations thereof. They show corresponding lack of interest frequently in voting upon matters of direct concern. Employee representatives on retirement boards are often elected by a plurality vote in an election in which fewer than half of the members took the trouble to vote. A clever campaign might bring them out to vote for something offered as a free gift. The opposition would face a most difficult task, even if it reached them, in asking them to sit down to read and to analyze the technical arguments pro and con on the acceptance of social security.

5. Turning to the general question of social security versus existing pension plans, we deem it highly significant that the proponents of social-security coverage for us, in drafting their bill, did not include themselves, or the employees of the Social Security Board, or the Federal employees in general (including Members of Congress) under the provisions of H. R. 6000. Can it be that this omission sprang from their knowledge that those same employees would fight bitterly against such inclusion? And why would they? For the same reason we do. They know social-security benefits are far inferior to those they enjoy under existing Federal retirement laws, and they fear the danger that inclusion under H. R. 6000 would quickly damage their systems. May we say that we believe what is sauce for the Federal goose should be sauce for the State gander, and all the little local ganders.

We have therefore in H. R. 6000 a bill which grants Federal employees the exclusion from social security which those employees have insisted upon. We have also in the bill a provision that at least opens the door to possible inclusion of another similar group: The public employees covered in existing State or local retirement systems. Public employees not now covered in any system would be eligible for inclusion under voluntary compacts under the bill, either as it stands, or amended as we request. Frankly, the more than a million public employees protesting against the bill in its present form cannot understand the insistence that they be treated differently from the Federal workers.

Why should they? Are there undisclosed reasons for this? If the Federal employees are deemed intelligent enough to be granted their request for complete exclusion, why are the rest of us deemed, apparently, too unintelligent to know what we should want? Must we be forced to accept a status we most earnestly request to be excused from? We are puzzled by the glaring inconsistency right here in the very framing of the act, in the willingness of the Social Security Administration to differentiate between two groups both asking for the same thing. Do you wonder, gentlemen, why we keep asking, "Why?"

Another objection, in principle, to social-security coverage is that conditions of public employment vary greatly in the States and subdivisions thereof. Existing pension and annuity systems are planned to meet State and local needs. When changes become desirable, they can be sought and made at State and local levels. This very hearing, coming after years of discussion over social security, is a demonstration of the difficulty of framing legislation on a national scale for a multiplicity of State and local units and problems.

A problem affecting the State of Pennsylvania or another that interests the public employees in San Francisco can each be far more easily and economically and satisfactorily adjusted in the legislature of the first and the city council of the second, than by lumping the questions together for settlement in Washington through action involving the entire Congress of the United States. In similar fashion the needs of a good retirement plan for firemen and policemen are commonly believed to be different from those of clerical employees. These needs again can best be met on a local basis. To be sure, we are told that we can take social security as a floor, and add additions, but we believe this statement is easier to make than to translate into a reality. Those of us who have worked on our own retirement plans know that it sometimes takes years to get something new into the system; although everyone approached may agree that the addition is a good one. We would rather bear the good things we have, than fly to asserted gains we know nothing about. We do know such gains cannot be so easily arrived at as the social-security proponents, who have not had to work for them, are fond of telling us.

To summarize: We present here today a plea endorsed by considerably more than a million public employees covered in their own satisfactory retirement systems to be given the same exclusion from any possibility of social security that is given the Federal employee. For reasons cited and others, we do not wish to rely upon the referendum provision for protection, any more than does the Federal employee. We believe that we have studied this problem long enough (since Senator Wagner's first bill) to have the basis for an intelligent decision as to our needs and wishes. We have listened year after year to speeches from social security administration representatives, and still remain unconvinced that we wish to accept their recommendations. We seriously doubt the likelihood that any municipal council or State legislature would be able to persuade the taxpayers to pay for both systems in full. Inevitably our existing system would suffer. To integrate the two systems, which the proponents say would be easy, is denied by actuaries who have spoken at our meetings.

The problem here would be so full of technical difficulties that only an actuary, experienced in retirement system planning, would be competent to discuss them.

Public employees would certainly not be satisfied with the results promised in such a plan as that agreed upon in the steel industry, or by Ford, where all workers, regardless of pay and service will be promised $100 a month at 65, after 25 years, more or less, of service. I have not the time here to present the mass of material on this point that has been presented and discussed by our groups, but we are very certain that a great deal of extra expense would be involved in any attempt to integrate public security payments with our own retirement system payments, unless the present promises of our systems were to be disregarded and a plan like the Ford plan adopted.

The danger here has been forcefully set forth in the report of social security issued by the Brookings Institution on January 25 of this year. The study points out that present proposals for social security, compulsory health insurance, veterans' benefits are calculated to cost between $26,000,000,000 and $41,000,000,000 by 1970, which is a date well within the life and retirement expectancy of most members of present public employee retirement systems. Once our systems are entangled in any such colossal financial plan, through any association with social security, our systems will be lost, and our expected retirement benefits will vanish.

We respectfully, therefore, urge the committee to accept the amendment we request, in order that we may tell our fellow retirement systems members that you have maintained the status quo, and that it will continue to be impossible

to place us under social security. We assure you that we shall feel in your debt for such service.

Mr. ADAMS. I think I want to say first that I represent the public employees already covered. I am not a paid employee of such a group. I have no personal interest from the point of view of official position.

Senator MARTIN. Mr. Chairman, might I interject, here?

The CHAIRMAN. Yes, Senator Martin.

Senator MARTIN. I think if you would explain what we have in some of those retirement funds and how they were set up, it would be very helpful to the committee.

Mr. ADAMS. I would be very glad to do so, Senator.

I think I should confine myself first, then, in answering that question, to my own fund.

The Pennsylvania teachers for a great many years were interested in getting an adequate retirement fund, and their efforts culminated in success in 1919.

The Senator from Pennsylvania knows very well from his experience as Governor of Pennsylvania some of the information that went into that particular set-up.

Senator MARTIN. How large is that fund now, Mr. Adams?

Mr. ADAMS. The fund covers approximately 70,000 school employees.

Senator MARTIN. And how much is in the fund now?

Mr. ADAMS. In the fund at the present time there is over $300,000,000.

Senator MARTIN. Is it actuarially sound?

Mr. ADAMS. Well, that would cause us to enter into a long argument. It is actuarially sound within the limits of the fund as set up, and then it probably slumps back when additions are made to it of new benefits. Those new benefits become funded by increasing the rates or by contributions from the State and local systems. But it was set up by a very competent actuary, supposedly one of the best in the country, and the $300,000,000 at the present time is deemed entirely adequate to cover the present and the future.

Senator MARTIN. Mr. Adams, will you explain to the committee the contributions to that fund?

Mr. ADAMS. We are on a contributory basis. Every person who enters the employ of the State system of schools in Pennsylvania——

The CHAIRMAN. What do you mean by "schools," there? Do you mean all schools?

Mr. ADAMS. All public schools.

The CHAIRMAN. That is what I was getting at.

Mr. ADAMS. All public schools in the State of Pennsylvania. If you come in as a janitor, as a teacher, as a superintendent, you have to contribute a certain percentage of your annual salary.

The CHAIRMAN. Of all grades?

Mr. ADAMS. Of all grades.

The CHAIRMAN. All public schools of all grades.

Mr. ADAMS. That is right, Mr. Chairman; and all levels of salary. Whether your salary is $2,000 a year or $10,000 a year, you contribute the percentage; because you take out the exact same percentage in each instance.

When I retire, my percentage of annuity will be the same as that of the superintendent of schools. He will get more than I shall, because his percentage is on his salary and mine is on my salary.

The CHAIRMAN. And what is the percentage?

Mr. ADAMS. The percentage is computed on the basis, under the present law, that you take out one-eightieth of your final salary.

Senator KERR. Take out what?

Mr. ADAMS. One one-eightieth of your final salary, times the number of years of service. That is computed on the expectation that the average teacher is expected to spend 40 years in the system. Then, at the end of the 40 years, you retire with 40 one-eightieths of your final salary. The final average salary means the final average salary of the last 10 years.

The CHAIRMAN. May I ask: How long must one remain in the system before he receives benefits of some sort?

Mr. ADAMS. I would have to answer that in two pieces. Our law was amended in the last session of the legislature to increase the benefits. At the present time, right now, if I were to retire, I should have to have been in the system until I had reached age 62, if I wished to get that maximum benefit. After the first of next July, I can get the maximum benefit in terms of 35 years, because beginning next July, instead of the divisor being 80, it will be 70. So that after 35 years of service, by next September, I shall retire on thirty-five one-seventieths of my final salary.

Now, I shall have taught by next September 41 years. Therefore I shall retire on forty-one one-seventieths of my final salary, to be specific.

Senator HOEY. What happens to the teacher who retires after having been in for 25 years?

Mr. ADAMS. It is a little bit complicated, but this is approximately what happens: You would estimate, or calculate, rather, what that retirement would be for twenty-five one-seventieths. Then you relate the twenty-five one-seventieths figure to an actuarial table, based upon your age at the time of retirement. In other words, if you were to retire after 25 years of service, and you entered at age 20, you would get approximately 51 percent of twenty-five one-seventieths.

Senator KERR. Beginning upon retirement? Or upon the reaching of a certain age?

Mr. ADAMS. No. The age limit has been dropped. The age limit used to be 62 years. There is no age limit now. You can retire on a reduced benefit after 25 years of service.

Senator KERR. Can you retire after 10 years of service? What is the minimum?

Mr. ADAMS. Well, the minimum for straight retirement is 25 years.

Senator KERR. For any vested interest?

Mr. ADAMS. The minimum for disability is 10 years.

Senator KERR. No; for voluntary retirement.

Mr. ADAMS. Well, for voluntary retirement it is 25 years.

Senator KERR. If you do not stay 25 years, do you get anything?

Mr. ADAMS. You get back what you put in plus 4 percent compound interest. So that you have a vested right after the first year in the system.

Senator KERR. But you get no contribution other than that which you put in?

Mr. ADAMS. That is right.

I would like to interject right there the point that in the Pennsylvania teachers' system we do not have a 75-percent turn-over of our employees. That figure would be, from our point of view, absurdly high, unless you count in those teachers who retire to get married, who do not take positions, and who would not be under social security anyway. I mean, assuming that we substituted social security for our own system. Because most of the teachers who retire on their marriage, if they want to continue an income can continue teaching. They do not leave the Philadelphia school system, or the Pennsylvania school system, and take a job as a clerk or as a stenographer, because they would get less money, forgetting all about social security. So that that turn-over figure does not apply to, and in general we could prove that it does not apply to, the system of the teachers all over the country, unless you consider the younger girls leaving to get married.

We have representatives here of various school systems. We have representatives here of police, firemen, county, State, and municipal organizations. As a matter of fact there are about 30 actually represented here at the present moment. That is by no means all of the systems in our group. The representatives are mostly people in this part of the country.

You could call on them one after another, and they would tell you that that turn-over figure does not exist, for this reason, and I think this is a point that was lost sight of.

Our systems are set up to a large extent to prevent turn-over. The school system doesn't want a new crop coming in every year or every 2 or 3 years. The State governments do not want a whole batch of new employees every year or 2 years. I do not mean to fill in deaths or the like; but the employees do not want to be moving back and forth. And in the history of pension systems, probably the strongest argument for setting up a pension system was to make a career out of public service. And the system hopes to encourage people to stay in.

I would like to put in as a possible adverse argument, although I am not going to stress the point, that I think it is obvious that if you made it possible for people to jump back and forth from State government to private employment, each time they could get a few more dollars in private employment for a year or two, and then come back into public employment, you would tend primarily to deteriorate the kind of public service that is given now by the employed man in State or local or municipal service. I think that has been proved in the history of the pension systems.

Senator MILLIKIN. Is there not a counterargument: That to the extent that you compel people to stay in any kind of employment because of pension benefits you are impairing their freedoms?

Mr. ADAMS. Well, I suppose that is a possible argument. I would agree, Senator, that we cannot set up any system that is going to be 100 percent perfect for every employee.

Senator MILLIKIN. I mean, I would not want to make a man work for Big Steel all of his life in order to get a hundred-dollar pension. And if he wanted to get that $100 pension, that is what he has got to do.

Mr. ADAMS. That, of course, is true.

Senator MILLIKIN. I think that represents a rather serious impairment of liberty.

Mr. ADAMS. I think, however, that I am correct in saying that most public employees in covered systems look upon their work as being rather more on the professional side rather than in the grade of unskilled or even skilled labor. I have been in the national conference for 10 years. For 10 years I have been meeting the policemen, the firemen, and the other employees that are here today. They have been in 10 years, and they expect to be in until they retire. They are interested in their jobs. Surely they are interested in their salaries, but they are also interested in their jobs. They want to stay in them. And I don't think they feel any compulsion. But I do think that to do as was done during the World War for a while, when the people were encouraged to jump out of public employment and go into war factories, necessary as the work may have been, was not beneficial to the States and the counties and the municipalities. And then we had those people coming back and going into the retirement system again. I mean, I am not criticizing them, but I don't think that was the purpose of the retirement system.

We are not considering anything except the coverage of employees already covered in their own retirement system. I mean, I have no interest in H. R. 6000 beyond that point. I have no intention of speaking about any other section of the bill.

What we want, as I say, we think is a bit unique. We merely want to be let alone. We are satised where we are. We are not asking for any money. We are not asking for any other consideration. We don't want to ask you gentlemen to give us anything except simply this: Let us be where we are and enjoy the benefits that we have, and not go looking around for alleged better benefits. We do not believe the other benefits, for us, will be better.

We want to point out, despite some of the assumptions that seem to have been entered here today, that what we request has no effect on uncovered employees. H. R. 6000 as it stands will let every uncovered public employee came under social security if his State or local government wants to bring him under social security. We are not asking that they be excluded. We are not asking that they be kept away from some privilege. They are perfectly free, if the State wants to give them social security, to have it.

Now, there is one group we have heard a great deal about, those persons who have inadequate coverage. It is true that there are some such groups. They constitute a very small minority, in our opinion. I am speaking of the State people. And when I say "State," I mean all the people working in a given State, for the State, the county, or the city. They constitute a smaller group than those of us who are covered. I am speaking of those who have poor systems; not those who have no system. And the records of the past 10 years show a definite and very decided increase in the coverage that they have been given. And it is reasonable to suppose that that increase will continue.

I believe in the last 10 years practically half of the existing systems have come into existence. In other words, there are a number of States that had no system 10 years ago for their State employees, and they now do have a system. In other words, it is a little bit, I think, beside the point to speak as though those persons not well covered to-

day would continue indefinitely not to be well covered. We were not so well covered this year as we will be next year; and I think that condition is going to continue in all the States, that the public employees will improve the coverage which they now have, if inadequate.

There is only one field, and a great deal has been made of it, in which our systems are in a slight degree inferior to social security; some of them, and not all of them. That is in survivors benefits. In the Pennsylvania State system—and I speak of the one that I know intimately—there is no benefit for the wife of the man who dies before he reaches retirement age, other than the return of his money with compound interest.

Now, that is a point that the retirement systems are already at work upon. I think it is reasonable to say that in not many years we will probably make some effort to extend that survivors right. On the other hand, remembering that social security has no survivors benefits to the wife until she is age 65 or unless she has minor children, she is not affected by it either. But when I retire, if I want to, I can elect an option which will give to my wife approximately two-thirds of what I would get, which is so far superior to social security that there just is no comparison between the two.

In other words, she has survivor's rights. And that is true of most of the systems that I know of that we would consider the better State systems.

Senator HOEY. Instead of permitting this voting on it, you want a clear-cut exemption?

Mr. ADAMS. That is right, sir. We have a feeling that the voting referendum sounds fine but in practice it would be subject to all sorts of difficulties and probably to all sorts of chances for some kind of manipulation.

As I bring out in the brief, we are not set up as a political organization to carry on propaganda among our own members. We have no means of reaching the 70,000 members of the Pennsylvania retirement systems adequately. We do not have the money. We can get their names and addresses. We cannot send an indefinite amount of material to them.

Now, with all due deference to Dr. Altmeyer, I think the Social Security Board can send out propaganda continuously. They have paid experts who can visit and talk about it.

We do not have them. Our group has no means of fighting such a referendum vote.

I do not mean to take up time on that, but a referendum vote taken the first of August would get darn few teachers voting. They would not be even reached, as far as we were concerned. We wouldn't know where to reach them. And we don't like the referendum idea at all. We see no necessity for it. Because we are perfectly convinced—and we have had 10 years on this work now—that we employees don't want to go into social security.

Senator MILLIKIN. Is there any substantial dissent from that view?

Mr. ADAMS. Not from the groups that are already covered.

Senator MILLIKIN. That is what I am talking about.

Mr. ADAMS. We have, as I mentioned in the brief, organizations in 31 States, and the Territory of Hawaii, and in the District of Columbia. Last night, at a meeting, here, we had over 50 representatives of 30 various pension systems of public employees. They are mostly in

the back of the room now. And they know the feeling in their own groups. There are a few people in my own group in Pennsylvania who say, "Oh, you could get protection for a wife."

They usually think she could get it when you die, which I find out is their mistaken notion when I question them. Or they say, "Why, social security would give you $70 a month," overlooking the fact that you would have to work for 40 years under social security to get whatever the maximum benefit is or would be under the rule. And when our system was set up—a very important distinction—the State assumed the prior service obligation.

I had taught 10 years when the system was set up. I would have credit, were I under social security, on that basis for 30 years. Actually, I now have credit for 40 years. And that is a very important distinction. One of the points that puzzle us as public employees is—and I want to point it out—that the Government employees, that is, the Federal Government employees, are not even mentioned in the act for inclusion. If it is good for us, why isn't it good for them? The railway workers are not covered in the proposed act.

And again, we feel that if we should be covered, willy-nilly, the other workers of that kind should be covered willy-nilly. We have the feeling that they don't want to be covered, because they are much better satisfied with what they have than they would be with social security. In fact, we know that from talking with them. The Federal employees make no secret, most of them, those that I have talked with, of the fact that they like the Federal Civil Service Retirement Act. And they certainly would not want to substitute social security for it.

That leads to the statement that we don't believe the two can be given to us. I do not believe, and nobody in my group believes, that the taxpayers in Pennsylvania would stand for both systems. I think the Senator from Pennsylvania might answer as to that. I do not see the people in Philadelphia paying to the city police pension fund and also to social security.

Senator MILLIKIN. You have made it clear that you are just talking about that part of the employees that are covered.

Mr. ADAMS. That is right.

Senator MILLIKIN. Have you any observations to make on the in-and-out problem?

Mr. ADAMS. Well, as I said at the beginning, I can speak for the teaching groups principally. The in-and-out problem among the teachers is quite small.

Senator MILLIKIN. I think you made your point quite clear on that. But how about the floating part of the public employees? How can we give them some kind of protection?

Mr. ADAMS. Well, we are beginning to give them protection within their own systems. In other words, the State executive secretaries of teacher retirement systems are at work; and I know at the end of this month in Atlantic City they will be discussing reciprocity provisions. Some States already have those reciprocity provisions. For example, there is present the executive secretary from New Jersey, who can tell you how a teacher from Pennsylvania who leaves Pennsylvania and goes to New Jersey can withdraw her money from the Pennsylvania fund, carry it with her, and deposit it with the New Jersey fund.

Senator MILLIKIN. But you are still discussing the subject of existing coverage?

Mr. ADAMS. That is right.

Senator MILLIKIN. All right. Now, let us get away from that for just a moment and let us take the janitor of the schoolhouse. Let us take the fellow who drives the supply wagon. Let us take workers around the schools and in the school system who are not covered by the teachers' system.

Mr. ADAMS. They are covered in Pennsylvania.

Senator MILLIKIN. Oh, they are covered?

Senator MARTIN. Oh, yes.

Mr. ADAMS. And in most of the States that have State retirement systems they are covered. In other words, we cover all State employees with one exception. We do not cover the part-time State employees. I think that was partly because of the administrative problem involved, that as much as anything else, because they work irregular hours. The question of deduction and the amount to be paid them would be very difficult, not impossible but just difficult to administer. But the janitors are covered.

Senator MILLIKIN. Thank you very much.

Mr. ADAMS. You are welcome.

Senator MARTIN. We have been talking about Pennsylvania a great deal, and I apologize to the members of the committee for that.

But tell us, if you will, the situation as it exists in Pennsylvania. I think the largest cities are taken care of in pretty good shape, but how about the smaller subdivisions, like counties, where there is quite a frequent turn-over? Is that working out satisfactorily? You know, we set up provision for the administration of that at the State level.

Mr. ADAMS. You mean in Pennsylvania?

Senator MARTIN. Yes. Are there very many of them that have accepted that?

Mr. ADAMS. I can answer that in part. And I apologize if I seem to stick to Pennsylvania, but I do know much more what I am talking about there specifically than in the other States.

There was a meeting in my office, Senator, a week ago, of representatives over the State who are trying to spread information about that very thing. And, as a matter of fact, there is in the room right now the president of the State federation of police, or rather, the Fraternal Order of Police, who was showing me the bill the other night that was introduced in the last session of the Pennsylvania Legislature, right on that very point. And I can answer in this fashion: That a number of counties and a number of municipalities have taken advantage of that law. They are going in. There will be more coming in this year, and there will be still more coming in next year.

We got a little laugh, and I think you gentlemen will appreciate it, when we got a letter from Clearfield County, saying that since they had joined that retirement system they did not see any need for any more meetings on retirement problems; they were all settled. That is just what they said.

Senator MARTIN. I wondered how it was working, because I advocated it. They are so small that I was worried about the investments, and so on, and I advocated that law, and I did not know just how it was working.

Mr. ADAMS. Well, it has been amended, since your term, to make it easier to get in. I think at that time it required 250 contributors in any one group. Now it has become possible to get 250 contributors from any number of groups within the county. So that it is much easier to get smaller townships to unite. And, as a result, there is this trend toward joining that system.

I frankly would say that it has not reached perfection by any means.

Senator MARTIN. No; it will take a lot time, of course.

Mr. ADAMS. But it is on its way.

Senator MILLIKIN (presiding). Are there any other questions?

Senator MARTIN. I wish, Mr. Chairman, he would explain this: The teachers contribute to this fund, and, of course, the State of Pennsylvania contributes to it, and the district which he is serving also makes a contribution.

Is that correct?

Mr. ADAMS. Yes, the contributions are on a 50-50 basis. The teachers contribute 50 percent; the State and the individual district each contribute 25 percent; and that makes up the total, which actuarilly has been figured out to be adequate to carry the system.

Senator MILLIKIN. What is the average pay of a teacher in Pennsylvania?

Mr. ADAMS. The mandatory maximum in Pennsylvania now for the teacher with a college degree is $3,800.

Senator MILLIKIN. Just to get it in round numbers, let us assume that someone has a $4,000 job. How much does that person pay into the system? What percentage would he pay?

Mr. ADAMS. At the present time that person would probably pay approximately 4 percent. It would vary a little with the age of the person at the time of entry.

Senator MILLIKIN. Is that a level premium, or does it change with age?

Mr. ADAMS. No, you continue for the rest of your career to pay whatever you paid when you entered; that is provided there is not a change in the actuarial set-up.

Senator MILLIKIN. So the teacher pays 4 percent, and the State and the local district make up the other 4 percent, even Stephen?

Mr. ADAMS. That is right. Under the new law, however, I shall begin paying 8 percent, approximately, because my retirement annuities are going to be just that much the greater. If I came in at age 21 or 22, I would pay about 7 percent, and if I came in at about age 30, I would pay about 5 percent. It may seem queer that you should pay less when you come in 10 years later, but the answer to that is that on our system of calculating, at the end of 35 years you will take out less. Therefore, you pay less when you enter, because you are going to be able to get less when you leave.

Senator MILLIKIN. How much does Pennsylvania contribute to the system per year?

Mr. ADAMS. I imagine the Senator could tell you that a little more accurately than I can.

Senator KERR. You said you had 70,000 teachers.

Mr. ADAMS. I can make an estimate of it. If you multiply 70,000 by the average wage, which would now run close to $3,000, and then multiply by 4 percent, that would be what we pay. And 2 percent would be what the State pays.

Senator MARTIN. It used to run into considerable money, I thought. I used to think so, but then I came down here, and, inasmuch as we add three ciphers to everything, it does not seem so much.

Mr. ADAMS. Maybe we should ask you to come back and pass upon our legislation.

Senator MILLIKIN. You assume an average wage of how much, in round numbers?

Mr. ADAMS. The average pay at the present time would be about $3,000. That takes in the beginners and the oldtimers.

Senator MILLIKIN. That would be about $8,400,000, as I figure it—half by the State and half by the local districts. Maybe I have dropped a cipher, but I think perhaps that is a good idea.

Mr. ADAMS. I think you probably have.

Senator MARTIN. There is one other question. What is the mandatory retirement age?

Mr. ADAMS. Age 70. There is an option there. The mandatory age for everybody is 70. The mandatory age may be set at any figure the local district desires between 62 and 70. In other words, the district of Philadelphia has given warning to everybody that this year you have to retire if you are 68 or older; next year, 67; and the next year, 66. In other words, 66 becomes our mandatory age, but the State laws is 70.

Senator MARTIN. What suggestion do you have as to this. The thing that has always worried me about the system is the case where a man is a teacher and he has passed 50 and he has paid into this fund a very large amount of money, and then he dies; and, of course, he is not on retirement. The thing that has always worried me is the condition it leaves his wife in. All she has is the amount of the fund at 4 percent interest.

Mr. ADAMS. Well, that is right. There is something beyond that now in the law. I think possibly in the 1945 session of the legislature the local boards of education were given the right, the legal right I mean, to set up various insurance provisions if they so desired, with private insurance companies; as a result of which a number of the systems have done that. In the Philadelphia system, as a result, the local board pays half the premium, and I pay half, and I have therefore a $5,000 insurance policy.

Senator MARTIN. That is voluntary as far as the teacher or employee is concerned. About what percentage have gone into that?

Mr. ADAMS. I can't answer, because that has just developed in the past year. I can answer for Philadelphia. I can't answer for the State. In Philadelphia, about 90 percent have gone into it.

Senator MARTIN. That law was put into effect when I was Governor of Pennsylvania.

Senator KERR. Once the teacher retires, under your program, are the benefits payable just for life? Or is there a minimum even though the retired person does not live for that period of time?

Mr. ADAMS. Well, I would have to answer that in several pieces. There is a new law which provides that any school employee who has had 40 years of service would get a minimum of $100 a month. Or I will state it differently: There is the provision that at the retirement age of 62, regardless of anything else in salary, you get $30 a year times the number of years of service. And that has been applied retroactively to all of our retired people.

Senator KERR. I do not believe you understood my question. Suppose a person retires at the age of 55 on the basis of this new formula that you have told us about.

Mr. ADAMS. Yes?

Senator KERR. If he lives to be 80, he would get the benefit for 25 years?

Mr. ADAMS. Every year.

Senator KERR. Suppose he lives just 1 year?

Mr. ADAMS. He gets it for 1 year.

Senator KERR. I understand. But is there anything then to his survivor?

Mr. ADAMS. If he has elected option two, three, or four, his widow gets, as long as she lives, or his child gets, or the aged person gets as long as the person lives, whatever that option would indicate.

Senator KERR. But there is no minimum number of years payable, in any event?

Mr. ADAMS. No, it is the same, after all, as an annuity with an insurance company. Some people get a lot more, and some people get a lot less, as a result.

Senator MILLIKIN. Thank you very much for your illuminating contribution.

Mr. ADAMS. I thank you, on behalf of the conference, for the opportunity.

Senator MILLIKIN. The next witness is Mr. John A. Wood 3d.

Senator BUTLER. Mr. Chairman, while Mr. Wood is coming to the stand, I would like to insert in the record a short statement that was furnished by Mr. Vogt. I think you recall him as the staff director in Omaha, Douglas County, Nebr.

You will recall that you and Senator Kerr carried on a considerable conversation with him with reference to the trends in public relief and the subject of guardianships, and I think his statement will be very illuminating and interesting.

Senator MILLIKIN. The statement will be entered at this point in the record.

(The statement referred to follows:)

STATEMENT BY PHILIP H. VOGT, OF OMAHA, DOUGLAS COUNTY, NEBR.

TRENDS IN PUBLIC RELIEF, 1930–50, DOUGLAS COUNTY, NEBR.

In 1930, 6.18 persons per thousand population were receiving public relief compared to 53.64 per thousand in 1950 or an increase of 768 percent. 1930 expenditures for public relief were 0.56 per capita compared to $12.95 during the past year or an increase of 2,213 percent. During this same period private community-chest agencies in the county increased their annual expenditures for relief from $45,710 in 1930 to $55,620 in 1940. These figures substantiate the basic argument presented in the hearing: "That the present system of public-assistance categories encourages public dependency." It should be emphasized that during the past year opportunity for employment and self-support in this community were excellent and compared favorably with the general economic conditions in 1930.

GUARDIANSHIPS

Senator Kerr suggested the use of guardianships as a solution to the problem that "a considerable amount of public funds provided for assistance grants is not expended for the necessities of life since the Social Security Administration requires that every recipient be given a monthly cash payment." I have made careful inquiry into this proposal of the county board and assistance staff and they are unanimous in their opinion that appointment of guardianships is not

the practical answer to this problem. I am told that if we were to restrict guardianship to only the most serious cases of mismanagement and deprivation we would need a minimum of 250 guardians. Frankly, we cannot find a score of citizens in this community willing to accept such guardianship responsibility.

H. R. 6000 provides vendor payments for medical and hospital service. There would seem to be equal justification to permit vendor payments to the grocer, landlord, etc., in those families where there is flagrant neglect of dependents due to the misexpenditure of public funds. The right to appeal would protect the recipient from arbitrary or personal decisions which might be made by the case workers or local department.

Senator MILLIKIN. Will you please state your full name, your occupation, and whom you represent here?

STATEMENT OF JOHN A. WOOD 3D, CHAIRMAN, LEGISLATIVE COMMITTEE, NATIONAL COUNCIL ON TEACHER RETIREMENT, NATIONAL EDUCATION ASSOCIATION

Mr. WOOD. I am John A. Wood 3d, secretary of the Teachers' Pension and Annuity Fund in the State of New Jersey, and I have asked this committee to let me give testimony as the chairman of the legislative committee of the National Council on Teacher Retirement of the National Education Association.

Senator MILLIKIN. You are a teacher by profession?

Mr. WOOD. No, I am the executive officer of this retirement system in New Jersey.

Senator MILLIKIN. Have you been a teacher?

Mr. WOOD. In night school only. My background before I became secretary of the retirement system was in the home office of an insurance company.

Senator MILLIKIN. Proceed, please. Be seated if you wish.

Mr. WOOD. The National Council on Teacher Retirement is an organization of executive officers and board members of State and local teacher retirement systems. Active membership in the council is held by 39 State systems and 14 local systems. The membership in these systems includes about 90 percent of the approximately 1,000,000 public elementary and secondary school teachers in the country.

The council being a division of the National Education Association has been asked to officially represent the NEA on the question of social security for teachers. At the annual meeting of the national council held in San Francisco in February 1949, a resolution was adopted petitioning the Congress of the United States:

expressly to prohibit even under voluntary agreement with the several States the extension of the benefits of old-age and survivorship insurance of Federal social security to any State, county, municipal, or school district employees already covered by existing retirement systems.

There is now a teacher retirement system in each of the 48 States, most of them more costly and more liberal in their benefits than even the proposed benefits of social security. Teachers have been for generations underpaid. They cannot afford the cost of additional protection offered by social security.

It would be difficult to persuade the States and the municipalities—the employers—to continue to support their local retirement systems at present levels, and on top of that, to have the employer pay the employers' taxes of social security.

Benefits to survivors are a basic feature of the social security law. These survivor benefits are available in most of the local systems, but they do not have to be paid for and are not needed by unmarried public employees who have no dependents The majority of our teachers are unmarried women.

Social security offers protection during the employment of a public-school teacher who moves her employment from one State to another.

Senator MILLIKIN. Could you say offhand what percentage of teachers are unmarried?

Mr. WOOD. I do not know. I know it is high. And I can get you a figure for that if you would like to have it.

Senator MILLIKIN. I think it would be interesting, because we have the problems of dependency and secondary benefits all through this business, and it would be an interesting statistic.

Mr. WOOD. I can get an authoritative figure. I think we all know that most of them are unmarried.

(The matter referred to is as follows:)

In 1931 there was a Nation-wide study by the United States Office of Education. The results of this showed that 60.4 percent of the teachers in one- and two-teacher schools were unmarried women; 74.5 percent of elementary teachers in other than one- and two-teacher schools were unmarried women; 62.1 percent of junior high-school teachers were unmarried women; and 55.7 percent of high-school teachers were unmarried women.

The 1940 census, classifying by occupations and not limited to public elementary and secondary teachers, showed that of those reporting themselves as teachers 52 percent were unmarried women.

The sample study in April 1941 of 5,000 teachers indicated that 55 percent of the urban teachers in public elementary and secondary schools were unmarried women; 40 percent in the rural schools were unmarried women.

This indicates that over the country as a whole 50 percent is a good estimate of conditions today.

Mr. WOOD. Many retirement systems now take care of the migratory teachers by offering a deferred annuity to be claimed at retirement, although the teacher may have left the system years before to go to another State, or by allowing the teacher on entering the system in a new State to purchase credit for prior service in another State.

Subparagraph (d) of section 218 of H. R. 6000, beginning on page 82 of the bill as printed, permits a voluntary compact to be entered into by a State and the Social Security Administrator so as to extend the coverage of social security to public employees, but requires that this agreement cannot include services performed in positions covered by an existing retirement system unless the governor certifies that within a year before the effective date of the proposed agreement, a vote was taken by employees holding positions covered by the system and by adult beneficiaries of the system on the question of whether or not they were in favor of being included under social security, and that at least two-thirds of the persons voting voted in favor of the services of such provisions being included under the agreement.

There are several reasons why we object to this referendum provision. In the first place, the provision for balloting is very vague. No conditions are specified, except that the balloting be by written vote. It is easy to imagine circumstances being so controlled as to permit a small minority of determined proponents of either point of view to control the voting.

Senator KERR. I take it that the gist of your position is that there should be no provision made to include them, as contrasted to a recommendation that the provision be made more adequate and more equitable.

Mr. WOOD. Our position is that we would like to have the Federal law specifically exclude the extension of social security to public employees that are members of existing State or local retirement systems.

Senator KERR. Therefore, in reality, the presently indicated method of how they might come in is more or less immaterial?

Mr. WOOD. That is right.

Senator KERR. You do not think there would be any way to improve the method to where it would then be satisfactory?

Mr. WOOD. If we had to accept the principle of a vote being taken, there certainly should be improvements.

Senator KERR. Great improvement in the method?

Mr. WOOD. In the method of voting.

Senator KERR. But your primary interest?

Mr. WOOD. Our primary interest is that that voting provision be thrown out.

Senator KERR. And that the eligibility for entrance be thrown out?

Mr. WOOD. That is right.

Senator MILLIKIN. I do not suggest this as a part of your curriculum for teaching young people, but maybe you would be willing for this purpose to borrow a Goldwynism, by saying that you "want to be included out."

Mr. WOOD. That is right. We want to be left alone.

For the record, I have some objections that I have set forth on the balloting procedure. For example, the bill leaves undetermined the individual or agency which is to set up the balloting procedure. The balloting procedure itself is vague. Is it to be by mail, by convention, or by personal balloting in home districts? Will it permit an election to be called in one central place, with little warning, and with insufficient time to make the participants familiar with the proposition? Will it be possible for successive ballotings to be called at irregular intervals, until the question is finally resolved in favor of the viewpoint held by the election official? Will it be possible to call the election for a time and place that are inconvenient and inaccessible to a large number of employees—and perhaps at a time when large numbers of interested employees have officially scheduled engagements elsewhere or are on vacation? So vague is the referendum provision that frankly we feel it to be be a gun constantly held at our heads, ready to be discharged if by chance its control should fall into the hands of unprincipled individuals.

Senator MILLIKIN. I think that Senator Kerr developed the point that even if they improved that you would still be against inclusion of your own system.

Mr. WOOD. That is quite so.

Senator KERR. Even if it was good, you would not like it?

Mr. WOOD. It couldn't be good, because we don't like it.

In the second place we recognize the personal interest which officials of the Social Security Division may have in extending the social-security coverage. They have at their disposal a corps of trained personnel. Just last October, the chairman of our council, Harvey Black, the executive secretary of the State teachers' system in Okla-

homa, reported that at their teachers' convention a booth had been assigned to the representatives of the Social Security Board's staff, teaching to all comers the advantages of social security. Several visitors called at the retirement system's information booth and asked the question, "Why is it that a teacher, if he were a member of social security, could receive a better retirement benefit under the social-security program than he would be able to receive under the teachers' retirement program of Oklahoma?" A comparison of the benefits under the social-security bill and the teachers' retirement law shows that this would not be true.

The legislatures of two States, Oklahoma and Arkansas, possibly others, have been persuaded to adopt laws which have been reported to be prepared by the staff of the Social Security Board as model bills which would enable these States and their municipalities to enter into compacts with the Social Security Administration for the coverage of their public employees under the old-age and survivorship insurance provisions of the Social Security Act.

I would like to say there that my testimony is written "admittedly prepared by the staff of the Social Security Board," but I have had only a report. I would like to change the record to that effect.

Senator KERR. To an allegation rather than an admission.

Mr. WOOD. That is right.

Senator KERR. Let me correct the impression with reference to Oklahoma. Because the now junior Senator of Oklahoma was then the Governor of Oklahoma and supervised the preparation of that law himself. And he knows how it was done. It was not done in conjunction with anybody but the teachers in Oklahoma, and it was for their benefit, and not with reference to making it eligible as to what might happen in the future. I just wanted to relieve you of that concern about Oklahoma.

Senator MILLIKIN. Do you say that without any mental reservation whatsoever?

Senator KERR. Without any whatsoever.

Mr. WOOD. Thank you, Senator. It was reported to me otherwise.

These two examples are cited for one reason only. It is commonly accepted that even the poorest of the State-organized teacher retirement plans is superior in its benefits to the social security provisions. Local and State retirement organizations, however, are not staffed to campaign for or against any particular Federal plan. Nor is it their function or purpose to do so. There would be a sincere question as to whether they should even issue factual information that could be interpreted as favoring either of two conflicting viewpoints. Because this is true, it can readily be seen that rarely can the membership of a retirement system obtain enough information to enable it to judge wisely when only one side of the picture is presented. It is feared that in all instances teachers who choose the social security plan, by referendum, are misguided and irrevocably injured.

We, therefore, beg the Finance Committee to recommend that the Senate amend section 106 of H. R. 6000 striking out section 218 (d) (1) (beginning with line 10, page 82, to and including line 17, page 83) and substitute therefor the following paragraph:

(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section.

Under paragraph 7 of section 210 of the bill, the exclusion which we seek is already proposed for Federal civil service employees.

I would like to make part of my testimony the attached explanation and a table showing a comparison of annual allowances under four conditions between social security and the allowances offered by each of the State teacher retirement systems. These are taken from the December 1949 issue of the Research Bulletin of the National Education Association entitled "Teachers in the Public Schools."

That is, I believe, of value as reference. I won't attempt to read it; but you will notice on page 7 of the testimony that I am offering that there is a line item for each State. And for the column headings there are four typical conditions for the retirement of a member. In the text there is a comparison of the benefits paid in those States with the benefits paid under social security in three categories, under the present act, under the proposals recommended by the Senate Advisory Council in April of 1948, and under the provisions of H. R. 6000, which was passed by the House on October 5, 1949; that is, in the form in which it has come to the Senate.

Senator MILLIKIN. Any questions, Senator?

Senator KERR. No questions.

Senator MILLIKIN. Thank you very much indeed for coming, and for your contribution.

(The explanation and table attached to Mr. Wood's statement follow:)

XI. TEACHERS AND FEDERAL SOCIAL SECURITY

Since 1940 proposals have been made to include public employees under the Social Security Act, but the idea of compulsory coverage was discarded because of its presumed unconstitutionality. Instead, it was planned that public employees be covered by agreements between the States and the Federal Government. This device would avoid the taxing of governmental units by the Federal Government, because the employers' social-security payments would be made voluntarily under the agreements.

When the social-security law was enacted in 1935, benefits were relatively narrow and small. In 1939 the scope of the benefits was broadened considerably and benefits themselves increased somewhat. Although there have been many proposals to increase social-security benefits above the 1939 provisions, no such proposal has as yet been enacted. In the Eightieth Congress the Senate Finance Committee appointed an advisory committee to study the entire Social Security Act, and in April 1948 this advisory committee recommended amending the benefit formula to increase benefits.

In the present Congress the House passed H. R. 6000 on October 5, 1949. The Senate in 1950 will probably consider the bill and compare it with the 1948 recommendations of the Advisory Council.

Table 11 compares the benefits which would be payable under the social-security provisions of 1939 and under each of these two proposals for liberalization of benefits, with the retirement allowances payable by State teacher-retirement systems in four hypothetical cases.

The table indicates that State teacher-retirement systems do not provide benefits for survivors, whereas the Social Security Act does. But retirement allowances under State systems are much higher than those under the present Federal law; even the proposed higher benefits of Federal social security would be more than State retirement allowances in only one or two States.

Social-security benefits are not now paid when a covered worker is disabled before qualifying for old-age benefits. On the other hand, almost every State teachers-retirement law pays such benefits (see table 9). The suggested amendments to the Federal law include providing for disability benefits.

Present proposals for voluntary agreements to cover teachers and other public employees under the Social Security Act require a vote of the members of retirement systems and pension plans before any State can include them in a voluntary compact with the Federal Government. It is, therefore, essential that the teaching profession understands what is at stake in such a referendum.

TABLE 11. *Social security benefits compared with State teacher retirement benefits in 5 hypothetical cases*[1]

Source of hypothetical benefits	I. Single woman retiring at age 65, after 43 years of service (dollars per year)	II. Single man retiring at age 65 after 40 years of service (dollars per year)	III. Single woman disabled at age 34 after 13 years of service (dollars per year)	IV. Married man who died at age 40, after 15 years of service, leaving widow and 2 dependent children	
				Lump sum payment	Benefit for survivors (dollars per year)
(1)	(2)	(3)	(4)	(5)	(6)
Social security benefits:					
(a) Under present act (provisions of 1939)	$885	$951	(2)	(2)	[4] $851 [5] $1,065
(b) Under proposals recommended by Senate Advisory Council in April 1948 (Senate Doc. No. 149, 80th Cong)	884	883	$933	$228	[4] 1,305 [5] 1,512
(c) Under provisions of H. R. 6000 passed by the House on Oct. 5, 1949	935	902	714	191	[4] 1,312 [5] 1,575
State teacher retirement benefits:					
Alabama	1,806	1,878	503	1,805	(3)
Arizona	2,052	1,800			(3)
Arkansas	1,100	1,100	513	[7] 1,770	(3)
California	2,805	2,921	352	5,531	(3)
Colorado	2,400	2,400	[8] 918	1,738	(3)
Connecticut	3,024	3,030	407		(3)
Delaware					(3)
Florida	[6] 2,948 4,128	[6] 2,857 4,000	[6] 451 408		(3)
Georgia	2,254	2,301	[9] 0		(3)
Idaho	1,843	1,714	493	4,703	(3)
Illinois	2,880	2,880	748		(3)
Indiana	1,700	1,700	600		(3)
Iowa					
Kansas	1,200	1,284	[9] 0	2,800	(3)
Kentucky	1,200	1,200	[9] 0	1,170	(3)
Louisiana	3,036	3,100	[10] 854	3,267	(3)
Maine	2,921	3,336	548	2,326	(3)
Maryland					(3)
Massachusetts	3,928	4,570	[9] 0	2,653	(3)
Michigan	1,807	1,984	[9] 0	2,365	(3)
Minnesota	1,104	1,104	[9] 0	1,729	(3)
Mississippi	1,204	1,115	512	1,802	(3)
Missouri	1,500	1,500	(11)	[7] 1,820	(3)
Montana	[10] 2,322	[10] 2,518	[10] 548		(3)
Nebraska	841	841			(3)
Nevada	2,400	2,400	1,095		(3)
New Hampshire	1,127	1,183	548		(3)
New Jersey	3,136	3,710	657	3,017	(3)
New Mexico	1,800	1,800	878	0	(3)
New York	[10] 2,548 2,040	[10] 3,253 3,346	[9] 0	[10] 2,728 3,101	(3)
North Carolina	3,210	3,825	644	2,730	(3)
North Dakota					(3)
Ohio	3,116	2,983	776	2,252	(3)

See footnotes at end of table, p. 862.

TABLE 11.—*Social security benefits compared with State teacher retirement benefits in 4 hypothetical cases*[1]—Continued

Source of hypothetical benefits	I: Single woman retiring at age 65, after 43 years of service (dollars per year)	II Single man retiring at age 65 after 40 years of service (dollars per year)	III Single woman disabled at age 51 after 13 years of service (dollars per year)	IV: Married man who died at age 40, after 18 years of service, leaving widow and 2 dependent children	
				I lump sum payment	Benefit for survivors (dollars per year)
(1)	(2)	(3)	(4)	(5)	(6)
Oklahoma	$1,830	$2,425	$141	$1,884	[3]
Oregon	1,481	1,800	600	2,064	[3]
Pennsylvania	2,857	2,017	590	1,087	[3]
Rhode Island					[3]
South Carolina	2,545	3,180	780	2,360	[3]
South Dakota					[3]
Tennessee	2,120	2,360	654	2,485	[3]
Texas					[3]
Utah	1,468	1,314	360	4,378	[3]
Vermont					[4]
Virginia	1,000	1,000	0	1,082	[3]
Washington	2,436	2,410	[5]	2,450	[3]
West Virginia	2,000	2,100	492	2,634	[3]
Wisconsin	2,350	2,050	408	0 0, 147	[3]
Wyoming	900	900	0 0		[3]
Alaska	1,200	1,200	624	674	[3]
District of Columbia	2,804	4,200	864	2,490	[3]
Hawaii	3,088	3,625	548		[3]
Puerto Rico	720	720	480		[3]

Illustration I (column 2). A single woman began teaching at age 22 at a salary of $2,400 a year. It is assumed that she advanced by $100 a year until she reached $4,800 where she remained until retirement at age 65.

Illustration II (column 3). A single man began teaching at age 25 at a salary of $3,000 a year. It is assumed that he advanced by $150 a year until he reached $6,000 where he remained until retirement at age 65.

Illustration III (column 4). A single woman began teaching at age 20 at a salary of $1,800 a year. It is assumed also that she advanced by $50 a year for each of the first 5 years and by $100 a year for each of the next 5 years. It is assumed that she remained at $2,500 for 4 years and then became permanently disabled.

Illustration IV (columns 5 and 6). A man began teaching at age 24 at a salary of $2,000 a year. He married at age 28 and his wife is 5 years younger than he is. It is assumed that his salary was increased by $100 a year for the first 10 years and by $150 a year for 5 years. He then died, survived by his wife, and two children under age 18. Column 5 shows the lump-sum amounts which would be paid at the time of his death and column 6, the benefits which would be payable annually to his wife and family after his death.

Estimates of social security benefits were calculated by actuaries of the Social Security Administration. Retirement allowances were calculated by secretaries of retirement systems.

[1] Excludes special provisions applicable to veterans only.

[2] No payments are due because of disability under the present provisions. However, the disabled woman in illustration III would be entitled to receive $248 a year from the social-security fund beginning at age 83 if she were living at that time.

[3] No provision.

[4] As long as both children are under age 18 and the widow is living, when the older child reaches age 18 the benefit is reduced, and no payments are made after the younger child reaches age 18 until the widow reaches age 65.

[5] Beginning when the widow reaches age 65.

[6] Beginning when the widow reaches age 60.

[7] Calculation did not include interest.

[8] Beginning at end of second year of retirement, if contributions were continued for 2-year interval.

[9] Depending upon which of four plans member has chosen.

[10] Not eligible for disability benefits with less than 15 years of service. If this teacher had served 15 years, instead of 13 years as in the illustration, disability benefit would have been $647 a year.

[11] Not eligible for disability benefits until after 15 years of service.

[12] Not eligible for disability benefits until after 20 years of service.

[13] This includes a supplementary benefit of $157.32 in addition to the amount due under the retirement law.

[14] Not eligible for disability benefits until age 40.

[15] Estimated by retirement secretary.

[16] Depending upon when teacher joined the system.

[17] $720 a year for 2 years and then refund of contributions.

[18] Either the lump sum (column 5) or an annuity (column 6) may be chosen by the member.

Senator MILLIKIN. The next witness is Mr. Spencer H. Crookes. Will you make yourself comfortable and give your name to the reporter and the capacity in which you appear here?

STATEMENT OF SPENCER H. CROOKES, EXECUTIVE DIRECTOR, CHILD WELFARE LEAGUE OF AMERICA, INC., NEW YORK, N. Y.

Mr. CROOKES. Mr. Chairman and gentlemen of the committee, I am Spencer H. Crookes, the executive director of the Child Welfare League of America, Inc., and I am here to speak in behalf of those portions of H. R. 6000 that have to do with the allocations to the Federal Children's Bureau.

I think I should say that we are national voluntary association comprising 253 child-welfare organizations located in 146 cities in 42 States, Canada, and Hawaii. Members of our association are affiliated on the basis of high quality of service, because they are leaders in their communities. They include public and private child-welfare organizations, sectarian and nonsectarian, all of which are working with dependent and neglected children and children who are potential delinquents. Our members have a substantial interest in the work of the Children's Bureau. Without it many additional responsibilities would have been placed on them when they have already heavy burdens. The amount of $7,000,000, provided in H. R. 6000, will be a decided step forward but more is needed. Because, also, it is not possible to divide the potential delinquent from the delinquent child as such, we also would urge that funds be made available through the Children's Bureau to bolster present services for the care and treatment of children who are in danger of becoming delinquent offenders.

Federal funds now available for aid to the States for child-welfare services, $3,500,000 per year, are very limited. These funds for children who are in need throughout the United States are insufficient and will continue to be insufficient unless we provide funds in such an amount so that damage will not occur to the children of our country. We need enough to build strong protections and safeguards. An increase as recommended to $12,000,000 would constitute a major step forward in the direction of assuring that essential social services are available to all children who need them.

Senator MILLIKIN. May I ask you this question: You are asking for $12,000,000 to match, I assume, State funds in the same amount. Or do you have a matching idea in mind?

Mr. CROOKES. Well, either on the basis of present usage of Children's Bureau funds, or on a matching arrangement, depending upon the State situation.

Senator MILLIKIN. Passing all other phases of this whole program, and putting our mind exclusively on this one, is it conceivable that the States and local communities under private charities and agencies of various kinds are unable at the local level, the State level, to raise $12,000,000 a year for the benefit of children?

Mr. CROOKES. Well, Senator, I am going to refer to that particular point a little later, but I think I would like to interject at this juncture the present impression that we get throughout the country as to the

ability of private organizations, for example, to raise additional funds over and above the amounts they already have. For example, it is pretty much the consensus among the community chests, which represent the largest body of voluntary giving in the country, that they have reached what they call something of a plateau of giving. Now, of those amounts raised by community chests, for example, which totaled in 1949, as reported from 168 major cities, some $81,000,000, 20 percent of that went for child welfare——

Senator KERR. How many cities?

Mr. CROOKES. One hundred and sixty-eight major cities reported.

Senator KERR. That would be only a half million dollars each.

Mr. CROOKES. They raised by voluntary contribution a little over $81,000,000, sir. Now, before coming here, I checked the total amounts tabulated by John Price Jones, a public-relations fund-raising accredited organization. They gave us $92,000,000 as the total amount raised.

Senator MILLIKEN. But in addition to that, you have your churches, you have your lodges, and you have your activities which do not reach the formality of a community-chest drive. You have your local taxing powers, your State taxing powers. Are all of those together inadequate for raising $12,00,000 at the local level? Would you say that there is a lack of local ability to supply that $12,000,000?

Mr. CROOKES. There is a potential there, Senator. But certainly if the community chest is a good example—and the last report we received from them was that the chest this year reached an average of 94.6 percent of their goals—then there is in a sense a limitation as to the amount which they can raise without something pretty radical happening.

Senator MILLIKIN. You are not saying it could not be raised?

Mr. CROOKES. No, sir.

Senator MILLIKIN. You are saying that under the practical circumstances that exist you doubt whether it would be raised?

Mr. CROOKES. Yes, sir.

Senator KERR. You are saying that there is a very definite need not now being met either by local contributions or governmental assistance?

Mr. CROOKES. Yes, sir.

For example, my informants advise me that the per capita amount of giving, Senator, to private charity, has not increased in this country since 1924. That is, per capita giving has not advanced. Actually, the base has been spread. And that, too, is dependent upon corporate giving. In the degree of 36 percent it is dependent upon corporate giving, which varies. And during a period of poor times, it can vary very markedly and threaten the whole base of voluntary giving.

Such services would include help to children living in their own homes or elsewhere, in overcoming problems detrimental to their development as responsible citizens. These are the children all over the country whom we do not see until they appear at the institution or court, after the damage is done. Some part of the money from an increased appropriation carried in this bill would probably be used to provide temporary care for some children outside of their own homes as has been the case, although to a very limited degree, in the past.

We recognize that both voluntary and governmental agencies, working cooperatively, are essential if needs of children are to be adequately met and that, operating alone, the voluntary agencies are unable to

handle the volume of children needing assistance. No one needs to be told of the recent unprecedented rise in the birth rate, and of the resulting increase in the population. It is also apparent today that voluntary agencies are experiencing greater difficulties in fund raising.

There is recognition of the fact that before the development on any appreciable scale of child welfare under public auspices, there were untold numbers of children in need of such services and care who were not receiving the help they needed. And, as a matter of fact, I should like to say that certainly in terms of a 60-cent dollar, or howsoever, they have not increased accordingly in that direction.

As we see the picture in the United States, voluntary agencies, to a very considerable degree, have been an urban development. If we are to assure every child, no matter whether he lives in the city or the country, the services and care needed, there should be a well-developed child-welfare program in every State, and this program should be State-wide in scope. The maximum efforts of both voluntary and State-wide public agencies are essential if we are ever to accomplish the job.

The scarcity of foster family homes for children who cannot live in their own homes is accentuated by the inadequate housing which prevents many a family from adding a foster child to the family group. In most of the large cities of the United States children are kept on waiting lists for foster care, a situation which reflects not only the need for more child-welfare workers, more funds for the board of children and more foster homes, but also the fact that existing child-care agencies have not yet geared up to the large increase in the country's population of young children.

Now, it seems to me most reasonable to assume that the increase, for example, that we have seen in the school systems and the problems concurrent therewith reflect just as thoroughly in the child-welfare programs.

With the exception of a very small amount of Federal child-welfare-service funds now used for the temporary care of children presenting special problems, the financing from public funds of foster family care for children has been left to the States and their subdivisions. In some States the only funds available to pay for such care come from county or city treasuries in the State. Such funds are apt to be most inadequate, even in centers of larger population, and in some counties they are practically or entirely nonexistent. In one State, where the Child Welfare League recently studied its large institutions for children, we found that counties, because of lack of funds, were sending children great distances to deposit them sometimes for years, in a crowded institution, away from their homes and communities. Any prospect of reuniting those children with their families, and making their parents, or helping them to be, responsible for their care, was lost in the passage of time. And these children, as a matter of fact, many of them, were admitted at the age of 5, 6, or 7, and stayed until they were 18 years of age, without anything but nominal contact, and a limited contact, with their own homes. And we criticize ourselves continually about this business of assisting families to be responsible for their children and building a strong family unit. Yet, on the other hand, we foster the separation in such a way.

Not only are existing agencies not presently geared for the 50-percent increase in our child population, but the public at large is

only becoming aware that the increased numbers of children now require and will continue to require greater expenditures than previously if we are to insure even a minimum of services to their well-being. Realizing this, a number of States have made some State funds available for foster family home care. There are whole States and counties where children are denied a foster home for the sole reason that no funds are available to pay for care. We know of one State where State funds were depleted, where there was pressure on child-welfare workers in the counties to remove children from foster homes regardless of the fact that they greatly needed such care and should have remained in the homes in which they had been placed.

I am advised that in some places there is pressure to remove children from boarding homes and place them for adoption for the sole reason of saving the expense to the locality of continuing boarding care. In many cases it would be preferable if further efforts were made to rehabilitate the child's own home. The severing of parental ties is a serious step which should be taken only when it is found that the welfare of the child demands it. Obviously the plan for any particular child should be based upon what is best to meet his needs. To assure this, there must be adequate funds available and staff to undertake the job. Child-welfare workers should not be charged with the responsibility for such large numbers of children that they must neglect some in order to help others, or give inadequate service to all.

Cases have been reported, for example, where the child-welfare worker must not only give needed service in planning for children, but herself try to raise the funds from any individual or voluntary group who will listen to her story, to meet board payments for foster home care. Aside from the broader implications of such a system, or lack of system, this is a misuse of the time of the child-welfare worker. We full well know that there are not sufficient numbers of child-welfare workers who have had the training and possess the specific skills for their difficult task. We should be zealous in seeing that their services are wisely conserved and not wasted. Even in racing stables, for example, there are experienced and skillful trainers, but it would be unheard of to require a trainer to beg for feed for the animals.

It has been a wise provision in the administration of the present limited Federal funds for child-welfare services that a portion has been used for training personnel, so that they can increase their skills and, therefore, serve children more adequately.

By contrast, in some parts of our country, there still exist agencies which care for both animals and children under one administration. And it is not unusual here to have a licensed and trained veterinarian to supervise the program for the cats and dogs but no provision for the training of those who undertake to guide the lives of the children.

The plight of Negro children calls for special attention by those considering the child-care provisions of H. R. 6000. The increase in the number of Negroes in the populations of towns and cities has not been paralleled by an increase in the services to dependent and neglected Negro children. Since few of these children are either Catholic or Jewish, by and large the sectarian agencies provide little service for them. Those who are Protestants seldom are eligible, due to intake restrictions for admission to the child-care facilities operated under Protestant secretarian auspices. Consequently, if the needs of Negro children are to be met, and certainly they should be met, there

must be extensive expansion of the public welfare services to dependent and neglected children.

I should like to refer briefly to the importance of recommendations which have been made that additional funds be allocated for the care and treatment of the juvenile offender. You will note that I have not used the term "delinquent," as a term describing these children.

Senator MILLIKIN. May I ask: Are you speaking now to a fund in addition to the $12,000,000?

Mr. CROOKES. Yes; Senator.

Senator MILLIKIN. How much?

Mr. CROOKES. $12,000,000.

Senator MILLIKIN. In addition to the $12,000,000? You are talking now about another $12,000,000?

Mr. CROOKES. Yes. The amount that has been recommended before the committee is $12,000,000. What we are saying is that we would like to see additional funds.

Senator KERR. The Senator asked if you were asking for the authorization of the $12,000,000 that has been heretofore recommended.

Mr. CROOKES. Yes, sir.

Senator KERR. Or are you asking for that full $12,000,000 and yet additional authorizations?

Mr. CROOKES. We are asking for that full $12,000,000 and an additional authorization.

Senator MILLIKIN. But you do not suggest the amount?

Mr. CROOKES. We do not at this point specify the amount.

Senator MILLIKIN. And what have you in the back of your mind?

Mr. CROOKES. In what respect, Senator, please?

Senator KERR. What would you recommend if you were recommending an additional figure?

Mr. CROOKES. The sole reason that I am not able at this juncture to recommend in behalf of my organization a $12,000,000 figure is that at the present time our association is studying the whole problem surrounding the treatment program for the juvenile offender. If I were making a recommendation, I would certainly concur with that which has been made, that it should be $12,000,000.

Senator KERR. I did not know we had a recommendation for a $12,000,000 figure other than the $12,000,000 to which we had been asked to increase the provision of the bill.

Mr. CROOKES. It was my impression, Senator, that there was an additional $12,000,000 mentioned in the course of testimony here.

Senator MILLIKIN. Our technical assistant says that Mr. Ballard from Hull House recommended that.

Mr. CROOKES. Yes, Mr. Ballard; and I am not sure as to whether or not Mr. Ehinger of the American Legion child welfare committee, also made a similar recommendation.

Senator MILLIKIN. Of an additional $12,000,000?

Mr. CROOKES. Yes, sir.

Senator KERR. You and I were both here, Senator, when both of them gave their testimony, and I did not so understand.

Senator MILLIKIN. I must have been opaque in my listening at the time.

Mr. CROOKES. I have not used this term "delinquent" to describe these children, because I have come to mistrust the designation, which applies only to court-determined offense. We know that thousands

of children yearly are handled by policemen and police matrons and by various social agencies. These are children who show signs of delinquent behavior. Of the approximately 275,000 children who appeared in 1949 before the courts, hundreds more have remained below the surface of community apprehension, but later fill our courts to overflowing.

Senator MILLIKIN. Let us take an example or two of this outer fringe of potential delinquents. A kid throws a rock through a window. Is he on that fringe?

Mr. CROOKES. He could be, Senator.

Senator MILLIKIN. Taking all of the other circumstances into account?

Mr. CROOKES. I think a rock-throwing episode certainly can't be of itself designated as a piece of predelinquent behavior.

Senator MILLIKIN. I was just trying to determine how many Senators started out as delinquents. Would you say if a kid steals fruit from a fruit cart he is delinquent?

Mr. CROOKES. I would say that a youngster who is living in a home that is not operating on a too even keel, who is consistently showing behavior that might be considered antisocial, is in danger of becoming a delinquent.

Senator MILLIKIN. Would you say that a kid who tosses a tomato at a high hat is potentially a delinquent?

Mr. CROOKES. Hardly.

Senator MILLIKIN. Or a Senator? I might mean a Senator tossing a tomato at a high hat.

Mr. CROOKES. No, Senator, either way I don't think that that could be termed predelinquent or antisocial behavior—depending, I presume, upon the hat.

Senator KERR. Depending upon whether or not you agreed with the worthiness of the thought in the mind of the fellow that threw the tomato.

Senator MILLIKIN. And how about playing hookey?

Mr. CROOKES. Now, that is a good example, Senator, of this situation. It points up the impression I would like to make on this particular point. There is complete variance throughout counties and courts as to what does constitute a delinquent act. For example, you can have, in one rural county, a youngster who has thrown rocks or tomatoes at the wrong hats being committed as a delinquent to a training school and—this is not too far fetched, I believe—being committed alongside a youngster from a large urban center, let's say, who is thoroughly exposed and has already produced in terms of delinquent patterns. And it is that inconsistency, for example, which is one of the reasons that we are anxious that additional assistance be given. Because you do not get a consistent pattern on it.

Senator MILLIKIN. Well, I think my inquiry is fruitless, and as far as I am concerned, I am ready to abandon it.

Mr. CROOKES. Do I take it that I haven't properly——

Senator MILLIKIN. No, no. I did not mean to imply that for a moment. You have to consider all these cases by themselves and take the whole pattern of the child. I realize that.

Mr. CROOKES. There is this point, though; that where you have a lack of sufficient service for the protection of the child in the way of

probation service, when the people that are working with youngsters who are showing antisocial behavior cannot cover the load, they are going to depress these youngsters, until they pop up out of the pot, so to speak, and boil over. And it is that group that we are anxious to reach in particular, as well as the youngster that is, for example, a first offender.

Senator MILLIKIN. Perhaps what was in my mind was that you can make a youngster a delinquent by terming as acts of delinquency too many things that are natural outlets for the energies of kids.

Mr. CROOKES. Yes. I would certainly agree.

We believe that this program of prevention is a priority defense program in the country today. In addition to improved juvenile probation service, improved training programs, and detention facilities, we need planned and effective programs for the care and treatment of children in danger of becoming delinquent. In many communities where the Child Welfare League studies community programs for children, we find that youngsters are housed in jails, for lack of proper facilities. Not only are jails not the proper place for children but authoritative reports would show that the majority of the jails are unfit for adults. Although the care of the juvenile offender is a task that requires specialized technical skill, it is also an indivisible part of the entire program which needs to be available to all children when they are in trouble.

We here in America have assumed a position of leadership in world affairs. The most important responsibility which we have today is to provide enlightened leadership for tomorrow. Our best insurance for security in the atomic age is our potential citizenship. We must equip our children with the basic tools for growing up into physically and mentally alert and secure people. The future does not wait. We must see that our children receive the best health, welfare, and educational service now, lest we squander our greatest resources and it be too late.

Senator MILLIKIN. Any questions?

Thank you very much for your contribution.

Mr. CROOKES. Thank you for the privilege, sir.

Senator MILLIKIN. I failed to call Mr. Moore. Is he in the room?

STATEMENT OF T. O. MOORE, VICE PRESIDENT, P. H. HANES KNITTING CO., WINSTON-SALEM, N. C.

Mr. MOORE. Yes, Senator.

Senator MILLIKIN. Will you come forward, please? Will you identify yourself for the reporter? Be seated if you wish.

Mr. MOORE. Thank you, sir.

My name is T. O. Moore. I am vice president of P. H. Hanes Knitting Co., manufacturers specializing in underwear for men and boys, sportswear and children's sleepers. We employ over 3,000 employees, mostly women, in our plants at Winston-Salem. Our company has been in the manufacturing business for 49 years.

I appear before you today as a representative of my company to indicate its interest and views with respect to proposed amendments.

I would first like to refer to the old-age assistance program nourished and fed by Federal grants-in-aid. I realize full well that some

provision must be made for those who have not been able to make their own provision for their old age, and whose children have so far departed from their traditional respect for their parents as to permit them to go on the charity rolls rather than provide them with decent support. At the same time, let us look at the figures for my own State of North Carolina. In December 1948, 38,556 beneficiaries received support under the OASI program in the amount of $581,135. If we consider the aged only, there were 12,240 aged persons receiving $259,299.

When we come to the old-age assistance program, however, we find that in February 1949 there were 50,341 aged persons receiving benefits in the amount of $1,047,639. In other words, there are four times as many aged persons in North Carolina being supported through old-age assistance as there are through the OASI program; and the amount spent for old-age assistance is four times as great as the amount received by primary beneficiaries under the OASI program in the State of North Carolina.

The manner in which Federal grants in aid are being distributed to the States constitutes an encouragement to the States to put more and more people on the old-age assistance rolls, rather than to determine, on a sound basis of needs, what individuals actually require old-age assistance and how much they require. Since the State can pay a person $20 worth of old-age assistance for an expenditure of only $5, expanding the old-age assistance rolls is an easy way to gain political support from the aged. It is rather interesting that in the State of North Carolina the average amount paid to those receiving old-age assistance comes very close to that figure of $20.

H. R. 6000, instead of improving the situation, would make it worse. It would simply mean that everyone who is now receiving assistance would get an extra $5 out of the Federal Treasury without any corresponding contribution by the State, and without any incentive to determine whether there is need for this additional expenditure.

Senator KERR. Now, you are talking about the features of public assistance, and not with reference to expanded coverage of old-age insurance?

Mr. MOORE. That is right, here, sir; but I will touch on the other later on.

H. R. 6000 goes in the wrong direction so far as old-age assistance is concerned. I strongly urge the committee not to expand the Federal grants in aid to old-age assistance. I am not prepared to recommend the specific formula to be used, since that is a question for the experts. However, I am concerned with the principle.

It was clearly contemplated when the Social Security Act was passed that Federal grants to States to support old-age assistance would be more or less temporary in character, and that as the old-age and survivors insurance system became effective the Federal cost of State old-age assistance payments could decline.

The original Social Security Act provided Federal grants up to $15 a month per individual to match State funds for old-age assistance. The Congress in 1935 obviously looked with alarm at the

probable future cost of old-age assistance. The Ways and Means Committee at that time reported:

> If no other provisions are made, the cost of gratuitous old-age pensions is bound to increase very rapidly, due to the growing number of the aged and the probably increasing rate of dependency. Unless a Federal benefit system is provided, the cost of old-age pensions, under title I * * * would by 1980 amount annually to more than $2,000,000,000. * * *

The committee went on to say:

> The establishment of the Federal old-age benefit system will materially reduce the cost of Federal-aided State pensions under title I in future years.

The Senate Finance Committee in the same year reported that—

> through the enactment of title II the cost of the Federal aid under title I in future years will be reduced by at least one-half.

The Senate Finance Committee on 1935 recommended an appropriation for aid to States for public assistance of $77,500,000.

The budget for 1951 asks for appropriations of $1,401,000,000 for this purpose. If these appropriations continue to climb at the present rate it looks to me as though the cost by 1960 will far exceed the $2,000,000,000 which Congress 15 years ago feared would be reached if the old-age and survivors insurance system were not enacted. Much of this increase in cost results from repeated increases in the Federal share of public assistance. Starting out with half of a $30 monthly pension, the Federal share has now climbed to three-quarters of the first $20 plus half of the next $30. The bill before you, H. R. 6000, would increase the Federal share to four-fifths of the first $25, half of the next $10, plus one-third of the next $15.

I would like to ask whether the time has not arrived when the Federal share of public assistance can at least be expected to level off if not actually to decline.

Another thing that concerns us as employers is the rapidly increasing tax rate to support the OASI program. It involved a considerable increase in our pay-roll tax when the previous 1-percent tax was increased to 1½ percent last month. We believe that the tax should be held at 1½ percent, certainly until such time as our economy can afford an increase.

Our own company has a pension plan under which the company receives credit on its pension payments for old-age benefits which are paid by the Federal Government. An increase in the Federal benefits would help our company save money on its pension plan, but we are against such increase as would raise the rate in the foreseeable future above 2 percent because we do not think it would be best for our country and because we do not believe that it would be best for our economy over the long pull.

Another thing that concerns us is the wage or salary base for purposes of taxation and benefit formulas. At present we are paying a pay-roll tax on the first $3,000 per year. We think that it is a mistake to increase that to $3,600, as proposed in H. R. 6000, or to $4,800, as proposed by the administration. Expanding the tax base means that the people who are getting less than the full amount of the tax base in salary per year will be getting proportionately less benefits.

For example, with a $3,600 tax base, the person who only earns $3,000 will get less than he would under the $3,000 tax base, if the maximum primary benefit in each case is the same. Since the function of a Federal old-age and survivors insurance program, as we understand it, is to provide such minimum income as will take care of food, clothing, and shelter, it seems to us that, the lower the tax base, the more adequate will be the provision for those who need that assistance the most. People who receive more than $3,000 a year ought to be able to make some saving for their own old age. Raising the tax base would discourage such savings. More important, it would give the great majority of people—who receive less than $3,000 per year—less retirement income than they would receive if we held to the $3,000 base.

I would also like to discuss the experience we have had with some of our people whom we have kept on the pay roll on a part-time basis and at reduced income after they have retired under our pension plan.

Senator MILLIKIN. Are you speaking of your own company pension plan?

Mr. MOORE. Yes, sir; our company pension plan.

In some cases we have put them on as consultants at a reduced salary. The reason for this is not only their value to the company as such consultants but also to give them some useful activity which they believe and we believe will prolong their lives.

Under the present law, if we pay them as little as $15 a month they are deprived of their Federal pensions. Under the proposed bill, H. R. 6000, they would still be deprived of their pensions if they earn as much as $50 a month.

H. R. 6000 would affect the situation of retired people in another way. A number of our former employees, since retirement, have developed new sources of income from self-employment. At present, as I understand it, income from this source is not covered by the law and does not interfere with receipt of their Federal pensions. But under H. R. 6000 self-employment would be covered, and any people who derive as much as $50 a month from this source would be ineligible for Federal pensions.

As I understand the formula, the pension under H. R. 6000 for an aged couple could be as high as $105 a month, but payment of this money would be denied if the man earns as much as $50 from either part-time employment or self-employment.

We have found that many people who may wish to retire from their regular jobs do not want to quit all useful work.

For example, Senator, I was thinking of a carpenter in our company who was recently retired, Earl Sappenfield. He is a good carpenter, and he has been able to pick up odd jobs. He is just as happy as a bird in clover because he works just as he wants to work and yet receives an additional income and is a contributing source to our community thereby. This new H. R. 6000 would deprive him entirely of his social-security benefits if he earned over $50 a month as a carpenter. And he could do that easily working just a day or so a week.

Now, they are the kind of people I am thinking about. There is another man who is getting ready to retire, and he is raising flowers, selling bulbs, and things like that. He is a contributing source to our community. This bill would take away his incentive to be such a source.

Senator MILLIKIN. May I ask you, please, how many people you employ?

Mr. MOORE. Something over 3,000, I would say. I would estimate it is something close to 3,450 or 3,460.

I am not fully familiar with all of the cost estimates of this program and I realize that the primary need for benefits is among people who have retired and who have no gainful work, but it seems to me that within the present cost estimates it should be possible to work out a formula less rigid than the proposed flat $50 limit that would be more fair to the individual, would give people some encouragement to continue working.

I would like to suggest for your consideration that instead of limiting income after age 65 to a flat sum of $50 or any other amount, that you include a provision under which half of any wages or self-employment income received after 65 would be deducted from the monthly pension payments to which an individual would otherwise be entitled. It seems to me that such a formula would be fair all up and down the scale of pensions, from top to bottom, and would still provide an incentive to work.

Why should we encourage people to stop work when they reach age 65 and just sit around and stagnate? It is not fair to them, and it is not for the benefit of our company or our community. We think that people should be encouraged to remain in gainful employment without having their old-age benefits taken away from them. As more and more people get to live beyond the age of 65, it seems to us that we ought not to impose a penalty on those who continue to make a useful and worth-while contribution. If old-age pensions under the Federal program are a matter of right rather than a matter of need, let us pay them what is rightfully theirs.

Senator MILLIKIN. Is it your opinion that the larger employers should be making all of the provision that they can to keep their elderly employees on their pay rolls, maybe at reduced hours of work, with pay commensurate to the service that they render, but giving them a chance to keep on if the business will permit of it?

Mr. MOORE. Senator, sometimes, in certain situations, it will be possible, and in others it will not. You know as well as I, sir, that a lot of people are younger at 65 than others are at 50 and 55. And that will be so all up and down the line.

Senator MILLIKIN. But lots of people are capable of doing a good half day's work.

Mr. MOORE. Yes, sir.

Senator MILLIKIN. And then they fag out after that.

Mr. MOORE. That is right, sir.

Senator MILLIKIN. Now, if the operations of an industry will permit of it, would it not be a good idea to keep those people working as long as they can work, if they want to work?

Mr. MOORE. I would say theoretically yes, sir; and that is a matter of great concern to all industrialists to whom I have talked.

Senator MILLIKIN. It is going to be a challenge to industrial statesmanship, because if you do not do that you are going to aggravate your own problems in all of these fields that we are talking about.

Mr. MOORE. Senator, we are already considering it so. One of the best ideas that I have heard of is being carried out in a mill down in

North Carolina, not ours, that has taken a building and equipped it with a type of machinery to make products the mill doesn't generally make. And the old people are in there more as a cooperative venture, if you see what I mean. They are on piecework. And when they make so many quilts or so many towels, then they are paid that amount.

Senator MILLIKIN. Yes.

Mr. MOORE. My belief is that if you just cut a man off completely at 65 and allow him to do no work at all, he will probably stagnate, which will be bad.

Senator MILLIKIN. As you know, in some business we junk people at 40 or 45. But we cannot carry these costs unless we keep up the productivity of the Nation.

Mr. MOORE. Yes. You take this man Sappenfield. We realized that he had given his life to the company, and those of us in positions in the company which make it possible are giving him this carpentry work. And as to this other man, who is selling flowers, we are trying to encourage him in that as far as we can, as a personal matter, among ourselves.

It is a problem, and we are trying to face it. But I think it is something we will all have to work out together. And I think if we can, we should work it out without Federal aid. I think the Government has enough of a load now, frankly, sir, and if we can do it ourselves we will be better off to work it out that way.

Finally, we look with a great deal of concern upon the proposal that the Federal Government get into the business of providing for those who are totally and permanently disabled. This is a matter about which I feel particularly keenly, because I have had some personal experience in the matter of trying to determine whether a person actually is or it not totally and permanently disabled. Certainly, some of these people may need help. It is difficult enough to ascertain the facts of each case when that help is provided entirely at the local level and by the expenditure of local and State funds. The system will be entirely unworkable on the Federal level.

If we attempt a Federal program in this direction, we will see more connivance and collusion in the attempt to qualify for these benefits than in any other program we have ever undertaken. Particularly is this likely to be the case in areas where there is an appreciable degree of unemployment. A person who is unemployed, and particularly if his unemployment benefits have expired, is very likely to suddenly discover that he is totally and permanently disabled. Under these circumstances, and with certain types of illness, nobody but the individual himself can actually determine whether or not he is totally and permanently disabled.

I have tried some of these questions in court, and I say to you that this is a program which has more complications in it, more problems of administration, than you dream of. This program, if enacted, is bound to result in so much abuse as to discredit the entire Federal social-security program.

We are very anxious to support a sound program of old-age and survivors insurance.

As a practical matter we should maintain a system which our country can afford and which, added to our other governmental expenses,

would not help bankrupt us in the future. It will do us no good now to place an unbearable load on future generations. All of us would like to see every one of the aged covered with handsome and adequate pensions, but the question we should consider is: Can we afford this utopia? We certainly cannot afford it, so let us be practical and maintain only such a system as we can afford.

Senator MILLIKIN. Are there any questions?

Thank you very much for appearing and for giving us the benefit of your observations.

Mr. MOORE. Thank you, sir.

Senator MILLIKIN. Is Mr. Steward here? I hear no response.

The rest of the day, except for Mr. Steward, is Colorado day, and if agreeable, we will recess until 2:15, when we will hear Mr. Steward if he is here and then the Colorado witnesses.

(Thereupon, at 1:05 p. m., the committee recessed until 2:15 p. m., this same day.)

AFTERNOON SESSION

(The committee reconvened at 2:15 p. m., pursuant to the noon recess, Senator Millikin presiding.)

Senator MILLIKIN. The meeting will come to order, please.

Is Mr. Steward here? Then we will put in the record a statement which he has left.

(The statement of Mr. Luther C. Steward is as follows:)

Mr. Chairman and Senators, on behalf of the National Federation of Federal Employees, which has the largest membership of any organization of public employees in the United States, I desire to address myself to paragraph 7 of section 210, appearing on page 37 of the bill, which would have the effect of including within the coverage of the Social Security Act employees of the Government of the United States who are not covered by a retirement system.

While the number of such employees is not large, we feel that they should not be denied coverage and, therefore, endorse the proposal as contained in the bill.

Senator MILLIKIN. Mr. Heath? Mr. Heath is a citizen of Colorado where he is a highly respected man. We are glad to have you here.

STATEMENT OF RAYMOND J. HEATH, EXECUTIVE SECRETARY, PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO, DENVER, COLO.

Mr. HEATH. Thank you for those kind words, Senator. For purposes of identification, I am Raymond J. Heath, executive secretary of the Public Employees' Retirement Association of Colorado and have been so engaged for approximately 16 years. Our association, under direction of the Public Employees Retirement Board of Colorado, operates a State-wide retirement system for the following groups: All State employees, school district employees in Colorado where the school districts have elected to affiliate under our system, municipal employees—other than police and firemen, who have their own system—and district and county judges, with certain exceptions, as to population in the smaller counties.

At this time our membership includes approximately 12,000 Colorado public employees, active and retired, who are contributing or have contributed through salary deductions 3½ to 7 percent of their

salaries, toward their own retirement benefits. The State of Colorado and the employing political subdivisions match their employees' contributions into our reserve funds. In other words, we have a typical State-wide contributory retirement system for public employees. Our average retirement benefits payable to retired members are about $72 per month, with a maximum of $150 soon to be increased to $200.

Senator MILLIKIN. How long do you have to be in the system, Mr. Heath?

Mr. HEATH. A minimum of 5 years, Senator, at age 65, and a member will receive a fractional benefit; 20 years at age 60 for a full benefit, so-called, or 30 years at age 55. There are several classifications. The full benefit is based on half the average pay for the highest 5 in the last 10 years of employment.

Our retirement board and our membership has long been concerned with the various proposals to extend Federal social security, OASI, to public employees. We have studied these proposals continuously since the Wagner bill was introduced about 1940. We wish to submit the following recommendations and opinions in relation to amending the Social Security Act, and in connection with H. R. 6000.

I will say here we are concerned only about that section which pertains to public employees under existing retirement systems.

I would estimate that in Colorado there are approximately 25,000 employees of the State and its political subdivisions. Of these at least three-fourths are presently covered under our State-wide retirement system, or under local retirement systems such as are operated by the city and county of Denver and Denver school district No. 1. Other city school districts have other pension plans to some extent besides ours.

Senator MILLIKIN. Does that take in all types of employees?

Mr. HEATH. It takes in all types of employees, in all classifications, that is, schools, municipal, State, with one exception. County employees are not covered presently under our State-wide retirement system because the county commissioners did not choose to have their employees covered when that bill was extended. There is some move now to bring them under, or to make it possible for them to come under.

Most of those employees not presently covered could be covered under our system by action of their local governing bodies, or by simple act of our legislature. Each year many more of these local employees without retirement coverage are being taken care of by such steps. Our retirement system is specifically designed for public employment and is better adapted to the needs of these groups than the broad social-security program.

Section 106 of H. R. 6000 would add to the Social Security Act a new section, numbered 218, under which OASI could be extended to employees of States and their political subdivisions by means of voluntary compacts between the State and the Federal Security Administration. Subsection (d) of proposed section 218 contains the conditions under which employees in jobs covered by local retirement systems may be so included. Under this, the governor of the State must certify that a written referendum was held and that not less than two-thirds of the voters voted in favor of being included. The voters must be employees in affected positions and persons 21 years of age or older who were receiving benefits under the local retirement system.

We have no fear that two-thirds of the members of our group would vote against their own interests and thereby sacrifice their equities in our retirement plan. But the bill as written does not require the two-thirds vote of the members, only two-thirds of those voting to so approve, and inasmuch as there is no specification in the bill as to how this referendum is to be conducted, and how fully the issues shall be understood by the members voting, and for various other reasons, we feel that as written, a small percentage of the members of any retirement system voting for such social-security coverage, could impose their will on the majority, to the detriment of all the members and thus the retirement system could be seriously crippled.

I might say here I do not think it is a question whether the retirement system should be crippled. It is a question of whether the members of the retirement system should be crippled. The older members in such an instance could be crippled as to their retirement outlook, seriously so.

In such a case, there would be no provision under H. R. 6000, for the recognition of the rights acquired over long periods of time of the senior employees in that local system. The following specific objections to this general provision have occurred to us:

1. Nothing is provided in H. R. 6000 for the future operation of a local pension fund after social-security coverage has been extended to the employees participating in that local fund.

2. Under such a plan public employees could logically expect abandonment of the local pension system and its termination or dissolution.

3. There is no provision in H. R. 6000 for allowing prior service credit of State and local employees at the time they are put under social security.

4. There is no provision in the bill for payment of annuities to persons already receiving retirement benefits and their widows and beneficiaries. It is possible that the local system would be undermined by lack of new members and current contributions that it would be impossible to meet these obligations.

5. The benefits payable under our retirement system are much more adequate than social-security benefits, even as increased under other section of H. R. 6000, therefore unless an advantage can be shown by such extension of social security, why complicate the situation by offering a new plan to the obvious detriment of old and well-established retirement systems?

The problem of the migratory employee: We have been told that many employees are in and out of public employment, and that these employees end up without any benefits under social security or their local or State retirement systems. I doubt the seriousness of this problem, because if such a worker has long or substantial service with the State or local employer, he is not inclined to leave that service, and thus jeopardize his future retirement rights. If he has little service with his public employer, the rights forefeited by migration are of little value, and he still has time in his career to acquire substantial benefits under social security in private employment. You are aware that 10 years employment in later life just prior to age 65 will entitle a covered employee under social security to a benefit which is four-fifths of the benefit he would receive for 40 years employment under social security just prior to age 65.

Also, most local retirement plans—or I might say many, most in our State at least—provide for fractional benefits in the nature of a vested, deferred annuity, to those who terminate their service prior to eligibility for retirement, and conceivably, it is now possible for our "migratory employees" to receive benefits under our own system and also to receive OASI benefits from subsequent private employment, at age 65.

In any event, we do not feel that the plight of the migratory worker should be solved at the expense of the permanent civil servant of our States, cities, and school districts.

I would like to comment here, this morning there was some suggestion that 75 percent—my quotation was "probably two-thirds of the persons under local retirement plans will not go to retirement." I have a little actuarial table I carry in my hip pocket. I am not an actuary. This is probably a large part of my actuarial library right here. I see at age 25 the expectancy of a person, and I think that is average, both male and female lives, is 38.31 years. So a person at age 25 has about a 50 percent chance of attaining age 65. So it would probably be proper to state that of all school teachers entering any service at age 25 or all persons entering social security at age 25, 50 percent of them cannot possibly expect to stay in long enough to draw a benefit at 65.

Turn-over is considerable in our system. It is considerable in all systems, private and public, I believe. That is not due entirely to migration. It is due to the grim reaper who steps in and cuts off some of those. Then you have changes in future prospects, such as marriage, and withdrawal from employment entirely, all of which does not work to the detriment of the employee who stays in our system. In fact, the turn-over rate is one of the factors which enters into our ability to pay better annuities than paid under social security.

Senator JOHNSON. There would be less migration in Colorado in State employment and in municipal employment because practically all of that employment is under civil service and those civil service rights are very important to the workers. Other States might have a migratory history that could not be applied to Colorado. Colorado service I think would be very free from migratory displacements.

Mr. HEATH. I agree. That has been our experience, Senator. Further, I think that the operation of our retirement system since it was created in 1931 has tended to cut down turn-over, and turn-over in industry and turn-over in State service is expensive.

Senator JOHNSON. It also has that effect. Any kind of pension system has that very effect, unless it is an old-age pension under the old-age and survivors' act, which might not because it covers the policy holder, if that is what you call him, even though he does migrate. But any pension plan that is individual to a certain kind of employment cuts down on the migration.

Mr. HEATH. We consider that an advantage, I believe; anything which cuts down costs of employment in the long run.

Now as to whether social security can supplement local plans. Proponents of social security extension have expressed the idea that the Federal plan can be used to supplement the local plans or vice versa, in order to provide a broad floor of security for the covered members, who would thereby receive greater benefits from both systems than they do from their present coverage.

We reject this argument, because we do not feel that the taxpayers of any State or local subdivision can afford to support two retirement plans in the public service, and any attempt to convince them of the feasibility of such a course would result in failure, and we would end up with the least desirable of the two systems. There is no need for duplication of coverage in the area of public employee retirement which is already occupied by the local retirement system. Two objects cannot occupy the same space, neither can two retirement plans cover the same group of public employees in our opinion. We have been confronted with the same problem locally, and have always found it desirable and expedient to exempt certain groups of State or local employees who already have their own retirement plans, from any proposed extension of the State plan.

By way of comment, at the time our plan was adopted, in the State universities, of which we have several, there were existing retirement plans through private contracts. You will remember, Senator, that those employees, the professors, instructors, and faculty members, I believe the term was, in the State educational institutions are hereby exempt. Policemen and firemen were exempt from our State-wide system because they had their existing plans. Then later one of two things happens. If our plan was better, they either improve theirs accordingly or they in time came around and asked that our plan be extended to include their group. We have not taken the aggressive in that move at all. It has been left entirely up to them. Any group under an existing retirement plan may desire our coverage, or we may desire social-security coverage when, as, and if it should become more attractive to the membership. However, first things should come first, and before any group should be allowed to petition for the coverage of our plan, or for social-security coverage, that group and the local legislature should determine what disposition should be made of the rights and equities of that group under their own system. We sincerely believe that such a course would be the natural solution here, if H. R. 6000 is redrafted to provide for total exclusion of State and local employees who are now under existing retirement plans at the local level.

We do not believe that the Congress would favor placing Federal civil-service employees under social security so long as they are covered under the Federal Civil Service Retirement Act; nor would Federal workers desire such a duplication of coverage, and costs. We fail to see any advantage in such a course at the level covered by our plans, and feel that the referendum feature of H. R. 6000 would only complicate the present status, and interfere with our security to continue in the enjoyment of our existing systems.

At a recent meeting in Denver, attended by representatives of various public-employee groups in Colorado, it was the unanimous consensus of opinion of the meeting that provision should be made for complete exclusion from social security of public employees under existing local retirement systems.

This principle was endorsed by delegates from the following groups: Denver Public School Employees' Pension and Benefit Association, Denver School Employees' Council, Colorado Education Association, Denver Firemen's Protective Association, Retired Firemen of Denver, Denver Policemen's Protective Association, Denver Board of Water

Commission Retirement System, Public Employees' Retirement Association of Colorado, Colorado Civil Service Employees' Association.

We therefore concur in the proposal of various other national and local groups, that in order to adequately protect the rights and benefits of members of existing State and local retirement and pension plans in Colorado, and in other States, H. R. 6000 be amended as follows, and that any other proposal to extend social security to State and local employees contain a similar safeguard.

Senator MILLIKIN. Have you thought of any system that might preserve the integrity of the local systems and at the same time provide some method of giving security to this in-and-out group that we are talking about so much?

Mr. HEATH. We have thought on the matter, Senator, since 1940, I believe, and I think one answer, which has been previously suggested here, is the vested annuity right. Whenever an employee leaves our service, perhaps cut out the refund feature of our plan by amendment and give him a credit payable at age 60 or 65. Then if he goes to some other State with a plan similar to ours, or to some other political subdivision or to a private employer, if they all conceivably had such plans he would end up at age 60 or 65 and might receive benefits from two or three systems. None of which would be a duplication. They would simply cover that prorated part of the service during his career that he had spent in that particular system. I think that would preserve the rights of those with substantial service.

Senator MILLIKIN. Would it be practical administratively, do you think?

Mr. HEATH. It would. It has been suggested and is done in a number of public retirement systems at this time. I think in due course that could become the policy of all of them.

It would take some time to shape it around, but these things have grown up in a relatively few years and it would not be very long before that would become standard practice if that was indicated as the solution to this problem.

The amendment offered here is a technical amendment. I would prefer not to read it to you. It is the same amendment which has been proposed here this morning. It provides for some changes in the act which would clarify, and the germ or the substance of it is that any such agreement shall exclude all public employees in positions covered by a retirement system as previously defined in subsection (b) (4) of this section, that section being 218, the new proposed section 218.

I wish to thank you gentlemen for the privilege of expressing our views. I wish to say that generally we concur with what has been said here by the representatives of other public-employee retirement systems from other States. I think the public-employee groups are in accord on this thing, and not only the public-employee groups but the groups of public employees who are covered under existing retirement systems.

Senator MILLIKIN. Senator Johnson?

Senator JOHNSON. I have no questions. I just want to say, Mr. Heath, you have made a very understandable and clear-cut statement here, and I think the committee is indebted to you for the clarity of your presentation.

Mr. HEATH. I thank you, Senator, and I thank you, Senator Millikin, for your kind attention. We appreciate it.

Senator MILLIKIN. Thank you, Mr. Heath.

The next witness is Mr. Ivan Eldher, of the Denver Police Protective Association. Will you identify yourself, please, to the reporter?

STATEMENT OF IVAN ELDHER, SECRETARY AND TREASURER, DENVER POLICEMEN'S PROTECTIVE ASSOCIATION, DENVER, COLO.

Mr. ELDHER. I am Ivan Eldher, first-grade patrolman in the police department of the city and county of Denver, Colo. I have been secretary and treasurer of the Denver Policemen's Protective Association for the last 12 years and I am on my fourteenth year of service in the police department.

I have turned down better-paying positions in private employment because I have always felt the protection of my family in the future is so well covered by our pension plan that it is the main incentive for me to stay on the job.

I think the same is true for the majority of the Denver policemen.

We have a pension plan which was first established in 1904 and has stood the test of time.

The Denver Policemen's Protective Association has sent me to Washington to express their position in regard to the proposed extension of social security to public employees, and especially to the members of a police force under a retirement plan such as ours.

With reference to H. R. 6000, as the bill was written, which includes fire, police, and other pension groups, there is a stipulation that they must participate for a period of 20 years and attain the age of 65 in order to be able to get the benefits in full. The work of a police officer is such that through experience in Denver in the past years, a charter amendment was voted on and passed as of June 1, 1947, at which time the people realized that the greatest activity of a police officer was in the prime years of his life, mainly between the ages of 22 and 32, and the feeling is that, due to the conditions of their work after 25 years of service, they should be required to retire.

Our pension plan was drawn up years ago prior to social security, and the foresight of Mayor Speer of including a charter provision for retiring men after 25 years was a benefit to the community. Since then many changes have been made which have been both of a benefit to the community as well as to the police officer.

Senator MILLIKIN. Is the retirement still compulsory so far as the police are concerned?

Mr. ELDHER. It is compulsory; yes, sir. The compulsion also includes that the only way they can pay in to their pension plan is by pay-roll deduction.

Senator MILLIKIN. Is that applicable also to the chief?

Mr. ELDHER. The chief pays on the same basis as a captain.

Senator MILLIKIN. I mean does he retire at 65?

Mr. ELDHER. He must retire after 25 years of service.

At the present time a retiring police officer is eligible to receive one-half of the salary he has received during the preceding 12 months. He has paid a greater amount into the pension fund during the time he has been in service than he would in the social-security program; however, with the stipulation of 1½ percent being paid by the participant in 1950, 2 percent in 1951, and 3 percent in 1952, the social-security insurance coverage would be far less than what he is receiving at the

present time. Also any officer that is injured in line of duty, whether it be after 1 day, 1 year, or 25 years' service is eligible to receive a pension at one-half of his salary.

Senator MILLIKIN. Does the city of Denver contribute to your pension plan?

Mr. ELDIER. The city of Denver contributes the equal of ourselves, 3½ percent.

Senator MILLIKIN. You do not get anything from the State?

Mr. ELDIER. There is a portion of it that comes from the State. The greatest part of that, though, goes to the county sheriffs and peace officers on a pension plan.

As the bill reads with the proviso for increased benefits, the most that he could expect to receive after participating for 20 years would be $102. At the present time this is approximately $41 less per month than he receives in the Denver police retirement plan at the minimum salary scale.

Also one of the factors that has been the reason for men of higher caliber to take the civil-service position in the police department is the fact that should he be injured or killed in action there is a provision for one-third of the salary in force as a pension to his widow, also proviso for his children until they have attained the age of 17 of $20 for the first child and $10 for each additional child. Under H. R. 6000 unless the widow has dependents, she is not eligible to receive any portion of a pension until age 65.

Statistics show that about 80 percent of both firemen and policemen die from heart ailments due to the type of work that they are compelled to do. Nerve strain and heart reaction are shown very definitely when a man has served a period of 25 years. Although he is still a young man in years, physically he is a great deal older than the comparative employees of other enterprises. One of the factors that has increased the standard of the police officer in our community is a pension plan that is workable and has been proven through the years. The community has been able to hire men who otherwise perhaps would have earned higher salaries in other fields of work but felt that a pension plan such as ours was a greater asset than receiving dollars and cents daily.

Senator MILLIKIN. After a policeman has served for 25 years, you do not make any deduct from his rights if he works in other work?

Mr. ELDIER. No; none whatever. That is an earned pension and he has a right to that.

In this bill there is no stipulation of who would participate in the two-thirds majority vote which would govern whether the system be allowed to function as is. If we were combined with some groups, I am sure that we would not have to worry; however, there are other groups that have pension plans that are not satisfactory, and looking at it in a selfish manner, they might feel that the reductions in the amount that they would have to pay would be to their personal advantage, and, therefore, might nullify our system. There is also no stipulation in the bill as to how often the State might ask that a vote be taken for the group to go under social security. Therefore, there is a hazard that might enter into this picture of not knowing whether we were going to retain our present retirement system or whether 2 years or 3 years hence be compelled to go under social security. There

is also another factor that enters into our picture. We have approximately 200 people, including both policemen and widows, who are on pension at the present time. Should this bill be passed with the proviso for our inclusion, this part would be detrimental to them. They have not participated in social security, and, therefore, at the depletion of the funds now on hand, what would their recourse be? As to the police officer who for years paid for the privilege of being part of this retirement system and is fortunate enough to still be alive and enjoy this privilege, he also has not participated in social security; therefore, he also would have no recourse. He has served the community to the best of his ability with the thought in mind that he would be retired on a pension when his years of service are spent. He can still not live on praise.

As I see this bill, it is impossible that both social security and our local pension plan can exist side by side. By that I mean that we cannot continue to have our separate pension plan and also participate in social security. We have men who because of their experience are a great asset to the community due to the fact that practical experience is essential in effective police work. However, these men have also participated for years in the pension fund that now exists and are eligible to retire. Should the inclusion of police be made in this bill and they should make some contribution to social security, they are not entitled to draw any more than for the period they have contributed.

They are not able to continue in police work until age 65; therefore, they are not eligible for the old-age benefits.

The thing they have worked for all these years has been sacrificed, and the only recourse that they would have is the hope that they might continue in the employment of the police department, knowing that in their years they have utilized the greatest part of their vigor and are now unable to cope with situations that arise daily.

Senator MILLIKIN. Do you know what the average age is of a policeman who goes on the force?

Mr. ELDIER. The average age is about 29. It has been reduced in the last 2 years from 30½ years, and this last group coming on here will reduce it down to about 27.

Senator MILLIKIN. So there would be a big gap. If a man served 25 years, and he was 30, he would be 55, and he would still have 10 years' gap there before he would come under the benefits of the social-security system.

Mr. ELDIER. That is right.

Therefore, it becomes a great detriment to the community as a whole to have this in the minds of these men. Also, their continued service results in the fact that younger, more active men cannot be employed to replace those who should be retired.

By that I mean we have only a certain number of men who can be employed on our police force, and as long as these older people are on the pay roll they cannot be replaced by the younger and more active persons.

It is our feeling as to the over-all picture that for social security to replace a workable local police or fire pension set-up would be a great detriment to the community.

The CHAIRMAN. Are there any questions?

Senator JOHNSON. Suppose that a policeman severs his services, say, after he has paid for 10 years. Does he get any rebate; does he get anything back?

Mr. ELDHER. No, sir; there is no rebate.

Senator JOHNSON. It is just his hard luck.

Mr. ELDHER. However, our statistics show that in the past 22 years there has been only 2 percent of the employees who have left the employment. We have had some who have left in a year's time or who have been fired in a year's time by charges preferred against them, but after 5 years the greatest number of them are either in the pension fund or have died.

Thank you very much.

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

Mr. ELDHER. Thank you.

The CHAIRMAN. Mr. Neil Horan? You may be seated, Mr. Horan. You are with the Denver Firemen's Protective Association, of Denver, Colo.? We will be very glad to hear you on H. R. 6000.

STATEMENT OF NEIL HORAN, DENVER FIREMEN'S PROTECTIVE ASSOCIATION, DENVER, COLO.

Mr. HORAN. My name is Neil Horan, a member of the Denver Firemen's Protective Association.

For 28 years I have been a member of the Denver Fire Department, and I am now speaking for myself personally and as the duly accredited representative of the Denver Firemen's Protective Association and the Colorado State Firemen's Association, with which practically all firemen in the State of Colorado, numbering approximately 134 towns, cities, and fire districts, are affiliated.

I and my comrades are opposed to the referendum provision in H. R. 6000 for the following reasons:

We have no other quarrel with the proposed law. Our quarrel is entirely with the referendum provision, and that only. We have no complaint about any other part of the act. It is just the referendum provision.

Senator MILLIKIN. If the referendum provision were fixed up in a way that would be satisfactory to you, would you then favor this bill?

Mr. HORAN. Our opinion, Senator, is such that there is no way that the referendum provision can be fixed up. It should be eliminated.

Senator JOHNSON. We can fix it up by eliminating it.

Mr. HORAN. That is it. Much of what I am going to say here now is probably an old story to Senator Johnson, because it was through his cooperation when Governor that our fine pension plan in Colorado was established.

Senator JOHNSON. Thank you.

Mr. HORAN. Our reasons for opposition to the referendum provision in H. R. 6000 are as follows:

1. Our present pension law has been efficiently operated since 1903, and many of our members have been paying into said fund as high as 40 years and more. I have been paying into said fund approximately 28 years. The payments herein mentioned were made with the understanding that, if any when we reached the age of 50 and had served a

minimum of 25 years in the department, we would receive pension protection for the rest of our lives at half pay.

2. We have a hazardous occupation, and many of our men are cut down in the very prime of life by falling walls, traffic wrecks, gas poisoning, et cetera. Our present pension law protects us against these hazards by granting a man so disabled a pension during the period said disability continues, or for life, as the case may be.

Under the Social Security Act there is no such provision; there is no way of disability coverage.

3. At present, we have over 200 men, women, and children on the pension rolls, and in most instances the income from said pension is all that these people have to live on.

4. In the event social security is extended to public employees, the firemen mentioned in item 1, above, would have to work 15 years longer than our present pension law requires, thereby increasing the average age of our firemen to a point whereby the department would be necessarily slowed down and efficiency decreased, which, in turn, would cause an increase in fire-insurance rates that would more than offset any savings the public might receive by placing us under social security.

Senator MILLIKIN. The insurance is adjusted to the type of fire department that you have, is it not?

Mr. HORAN. Yes; it is. I might mention that, even with retirement at the early age of 50, our average retirement period is only 10 years. The average man lives about 10 years after he has retired. Therefore, to put firemen under social security would be a very good way of eliminating firemen's pensions altogether.

Senator MILLIKIN. Do you have in your mind the average age at which a man becomes a fireman?

Mr. HORAN. He must be 21 years old and not over 30. I would say about 24 years of age.

No. 5. It is to be presumed, if social security is extended to our group, that the present pension law would be repealed, as we do not assume for a moment that the city would increase taxes upon the citizens for the purpose of tacking on social-security benefits to our present pension benefits.

6. In the event social security is extended to our group and our pension law is repealed, then the present retired members would be defeated of their rights to pension benefits, and the widows and orphans would be thrown upon "poor relief."

I might mention at this time that I once sent a letter to the Social Security Board and asked them, "In the event social-security benefits were extended to firemen, who would take up the gap between age 50 and 65 in the event our law was repealed and social security was extended to us." Their answer was, "That is your problem."

Furthermore, I asked them, "What would become of those who are now on the pension rolls?" Their answer was, "That is your problem."

The very fact that it is our problem is the reason we are here today and have come all this distance to defend it.

No. 7. It is true that the referendum provision in H. R. 6000 is intended to protect groups such as mine from the very things that I mention hereinabove. But, unfortunately, we being city employees

operating under a different law entirely from that of other pensioned Denver city employees, we would, under said act, be a so-called covered group, and as such could be outvoted by other city employees in the event of a referendum.

Senator JOHNSON. I think point 7 that you make there is an extremely vital one.

Mr. HORAN. There are some 3,000 city employees in Denver, and there are about 900 firemen and policemen. They are the only ones under civil service. The remaining employees, not being under civil service, could very easily outvote our particular group.

No. 8. In the event our funds require supplementing some time in the future, the authority in charge of increasing the fund could refuse assistance and thereby indirectly force our group and others within the city of Denver to vote favorably on the extension of social security to us.

I do not wish to be facetious, but I might comment that public employees such as ourselves are pretty much like a beautiful girl being forced to marry an old uncle. She loves her uncle, but not to the extent of wanting to marry him. The social-security boys come along and say, "Well, under the referendum provision she can vote whether or not she wants to marry him," but the moment the law is passed, with that referendum provision made permanent, then the Congress has given each city administration, school administration, State administration a shotgun, so to speak, that will force us under social security merely by withholding or eliminating funds. Certainly, if the funds were eliminated or withheld, then we would be forced to come under social security in order to have anything at all. Therefore, it is that alternative that we fear. When I say we fear it, I really mean exactly that. We are opposed to it on that particular ground.

We do not have any desire for a referendum on whether or not we, as a group, should be covered by social security. I believe there is an old maxim that no one should be forced to accept a benefit. The covered employees never petitioned the Congress for this right of referendum. It is something that is being given to us against our will. We don't want it, and we feel we should not be required to accept it.

Senator MILLIKIN. I have been cudgeling my memory about your background. You have a legal background; have you not?

Mr. HORAN. I have been admitted to the bar; yes, sir.

We are satisfied with our present arrangement, and we respectfully urge you gentlemen to adopt the proposed amendment which will exclude public employees from social-security coverage. That would mean those who already have an existing plan. And eliminate any possibility of a referendum in connection therewith.

I thank you very much.

The CHAIRMAN. Thank you, Mr. Horan, for your contribution to this subject.

James T. Reival

STATEMENT OF JAMES T. REIVA, DENVER PUBLIC SCHOOL EMPLOYEES' PENSION AND BENEFIT ASSOCIATION, AND THE COLORADO EDUCATION ASSOCIATION, DENVER, COLO.

Mr. REIVA. Senator George, Senator Millikin, and Senator Johnson, I am James T. Reiva, member of the retirement board of the Denver Public School Employees' Pension and Benefit Association and authorized to speak for them. It has been my privilege to have served in public education for the past 20 years, of which 19 have been in the Denver public schools in the capacities of classroom teacher, adviser of boys, and elementary-school principal.

The Denver public-school employees have participated in a retirement program since 1910. Over the years this plan has been continuously improved, with a most significant improvement occurring in 1945, at which time employees who wished to do so were permitted to contribute to the reserve funds. All employees new since December 1, 1945, are participating under the contributory provisions of the plan. Today there are approximately 3,000 employees in the school district, of whom 92 percent are contributing at least 6 percent of each month's salary to the retirement reserves.

The association or noncontributing members of our retirement association are eligible to receive a pension in accordance with the policy of the board of education in effect prior to December 1, 1945. The citizens of Denver through the board of education not only match the contribution of 6 percent by our members but are providing additional funds in recognition for all service in the Denver public schools given prior to December 1, 1945. This means that we are a typical local contributory retirement system for public employees. Those teachers retiring this year will receive on the average a monthly benefit of $86.84. Our plan now provides for increased benefits each year until a maximum for a teacher will be $200 per month.

After a careful study of the provisions of H. R. 6000 applicable to school employees from the standpoint of the retirement needs of the employees of school district No. 1, Denver, Colo., we wish to state that it is the opinion of the retirement board that H. R. 6000 should be amended to provide for exclusion from coverage under OASI persons now covered by a retirement system for the following reasons:

1. Benefits under public-employee retirement systems are generally higher than those provided in H. R. 6000. This is definitely true insofar as our local plan is concerned.

2. Some have suggested that public employees should participate in both social security and the present local retirement plan. If this should become true, our local system would undoubtedly be curtailed. Under the present Colorado law, it would be impossible for school district No. 1, Denver, Colo., to finance the employer's portion that would be required by both systems. It is wishful thinking to expect boards of education, city councils, or State legislatures to attempt to convince the taxpaying public that contributions should be made into

two plans for each public employee. This is evidenced by the fact that officials of State governments testifying before the House committee indicated that, given a choice between present State retirement systems or social security, they would have to put their employees under social security "in the interest of the taxpayers." Unlike private industry, public groups are not able to pass costs on to the consumer by increased prices for merchandise or services.

Senator KERR. Did you ever hear of increasing the tax rate?

Mr. REIVA. Yes, sir; I certainly have.

Senator KERR. Is that not the usual follow-up?

Mr. REIVA. I think it would be.

Senator KERR. That would be, then, passing it on to the public.

Mr. REIVA. Passing it on, except that you are not getting it on the type of thing that you can build on two systems.

Senator KERR. I was addressing my question——

Mr. REIVA. To just the latter remark.

Senator KERR. To the statement that public groups are not able to pass costs on to the consumer.

Mr. REIVA. Except to a certain extent. We, for instance, in Colorado by statute are limited in the amount that we can pass on.

Senator KERR. You pass on all there is; do you not?

Mr. REIVA. No; we don't not exactly.

Senator KERR. You add something to the cost of government in Colorado and do not pass it on to the people?

Mr. REIVA. We have a limitation and we have not gone to the extent that we could.

Senator KERR. But you pass on all the costs that you have.

Mr. REIVA. Absolutely, just as any other group does.

Senator MILLIKIN. But you, as an insurance group, have no authority to raise any taxes.

Mr. REIVA. That is right.

Employees would find it almost impossible to contribute the required amounts for participation in both plans. In our case, after 1969 this would require contributions of 9¼ percent of salary. Should social-security benefits be increased, as many have indicated, this percentage might increase for both employee and employer to as much as 14 percent or a total of 28 percent of the pay roll.

3. H. R. 6000 is discriminatory in that women do not receive the same consideration as men, particularly in regard to survivor's options or family benefits. The premium paid by a woman is the same as that paid by a man, but the spouse of the woman cannot participate under survivor's benefits in H. R. 6000. In our local plan, this discrimination does not exist.

4. Local and State plans for public employees are designed to meet the needs of a particular group. Modifications or adjustments in a local plan made necessary by economic or social changes can be more easily and specifically met than similar modification or adjustment in a broad national plan. In our plan, retirements are permitted at ages earlier than 65 and in some instances as early as 55. It is possible to meet requirements for full retirement benefits at age 60.

Senator MILLIKIN. Are the members of the system required to retire at age 60?

Mr. REIVA. Their tenure is terminated at 65, and the board of education has passed a ruling that they must retire. This year it will be at 66, next year at 65.

Requirements for disability retirement must be designed to meet the needs of particular groups.

5. In our situation we find that about two-thirds of our employees are persons with no dependents. These people would pay the same premium under social security that persons with several dependents would pay, but would not be eligible for the same benefits. Under H. R. 6000 the maximum primary benefit would be $84 and family benefit, $150. Our local plan provides maximum benefit of $200 for a teacher in either case. If a person with no dependents dies before retirement, the maximum to be received under social security would be approximately $250.

Senator MILLIKIN. Could you tell us what percentage of your teachers are unmarried, roughly?

Mr. REIVA. I won't guess at the ones who are unmarried, but I can tell you the ones who have no dependents. We have figured that out absolutely. I don't want any of these people from Washington going back looking for our——

Senator KERR. The question was that you give a rough estimate of the number who were unmarried.

Mr. REIVA. Rough? I would say 40 percent. But it is significant to notice that two-thirds of all of the employees have no dependents.

If a person with no dependents dies before retirement, the maximum to be received under social security would be approximately $250, as you recall, for burial benefits. It is possible for the same person under our local plan to designate a beneficiary who might receive as much as $15,000, all being a result of the contributions made by the individual.

May I add there that no part of that would be due to the Board's consideration.

Senator MILLIKIN. That would be after full maturity of the plan.

Mr. REIVA. That would be starting in at the age of approximately 21 and going just before retirement age, when the options would go into effect, that that person dying could leave an estate of approximately $15,000.

It is not the position of the retirement board of the Denver Public School Employees' Pension and Benefit Association to deny the privilege of protection under social security to any person or group not now under a retirement system. It is the position of the retirement board of the Denver Public School Employees' Pension and Benefit Association that the rights and privileges that have been accrued or promised to persons or groups now covered by retirement systems be protected to the utmost.

On the recommendations we have, they are similar to the ones stated previously, that we would like to be included out, as you suggested, Senator Millikin.

The Colorado Education Association has asked me to request your permission to place in the record the following letter in which it states the official position of that organization with respect to H. R. 6000. The position of the Colorado Education Association is substantially

the same as that of the other public employee groups of Colorado represented here today. I, as a member and vice chairman of that group, would like to have your permission to have this recorded, Senator.

The CHAIRMAN. It may be entered as part of your statement.

(The document referred to is as follows:)

STATEMENT OF THE COLORADO EDUCATION ASSOCIATION, RE H. R. 6000

The Colorado Education Association, through its 10,000 teacher members, has been working for more than 20 years to develop a sound State wide retirement plan for school employees which would give adequate protection to this group of public employees. The Colorado General Assembly approved such a plan in 1943, and the first employees to benefit from its provisions were retired in January 1949.

Although this retirement plan has been voluntary for both school districts and employees, and the time since its adoption has been short, participation in the retirement plan has shown a steady growth. At the present time approximately 50 percent of the school employees of the State are protected by either the State retirement plan or an equally desirable local plan.

The Colorado Education Association in its official delegate assembly on December 10, 1949, passed the following resolution:

"That amendments to the existing State retirement laws be prepared and sponsored which will provide for mandatory retirement benefits for all regular teachers and full-time school employees; and that adequate provision be made immediately for those teachers who have given extended service, and for whom no retirement benefits are now available."

Such amendments will be presented to the Colorado General Assembly in January 1951, and we believe will be favorably received by the legislature. Under such a system all school employees in Colorado would have adequate protection under a plan actuarially sound and on a joint contributory basis.

We have every reason to believe that this retirement program for school employees in Colorado would be seriously jeopardized by the extension of social security to include such persons. It would seem obvious to us that a double assessment against both employer and employee would result in a break-down of State and local retirement plans.

We ask, therefore, that you support an amendment to H. R. 6000 which would "exclude all public employees in positions covered by a retirement system."

The CHAIRMAN. Any questions, Senator Johnson?

Senator JOHNSON. Do you have any statistics on the migratory problem? That is not quite the right word, but you know what I mean.

Senator KERR. The in and out?

Senator JOHNSON. Yes.

Mr. REIVA. Yes. This new contributory set-up that we went into in 1945, since that date we have gathered some statistics for you. I think it is interesting to note that the one we think of first of all is the professional group. Since 1945 our turn-over rate has dropped from 10 percent to 5.5 percent. The clerical group rate has dropped from 44.2 percent to 19.3 percent. The operating and maintenance group rate has remained about the same. It was 18.4 and it is 19.6 at the present time. The weighted average in that period from 1945 to 1949 has been reduced from 14.2 percent to 10.4 percent. May I add there that many of those people have gotten married, and they are not in a position where they are going to get any social security anyway.

Senator KERR. They are no longer in need of it?

Mr. REIVA. They may be in need. I would not say that.

Senator MILLIKIN. May I ask how much money you have in your retirement fund, Mr. Reiva?

Mr. REIVA. We have now approximately 3—1.3 million dollars put in by the employees, and 1.7 million dollars put in by the taxpayers of Denver County. Of course, it is being built up because we, the taxpayers, are paying for prior service. Of course, that is one objection that we definitely have to social security, that it would not pay for prior service for these groups.

Senator MILLIKIN. The taxpayer would not have to pay again. He has already paid.

Mr. REIVA. That is correct, sir.

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

Mr. REIVA. Thank you.

The CHAIRMAN. Mr. Newell B. Walters. You may be seated, if you wish to, and please identify yourself for the record.

STATEMENT OF NEWELL B. WALTERS, EXECUTIVE SECRETARY, DENVER SCHOOL EMPLOYEES' COUNCIL, DENVER, COLO.

Dr. WALTERS. I am Newell B. Walters, executive secretary of the Denver School Employees' Council, authorized to speak for that organization.

The Denver School Employees' Council is composed of 150 elected representatives from all classifications of Denver public school employees. The council provides for democratic participation of employees in the determination of policy of the Denver public schools. Prior to the appointment to the position of executive secretary of the council in 1940 it was my opportunity to serve for 14 years as a classroom teacher, three in rural schools of Colorado, and the remainder in the Denver public schools.

In 1949, when H. R. 2893 was being considered by the House Ways and Means Committee, the council appointed a study committee to investigate the implications of the extension of social security to public-employee groups with special emphasis on the effect of such extension to include employees of the Denver public schools. On the recommendation of the committee, the council adopted an official position of requesting an amendment to exclude public employees covered by existing retirement plans. This same committee also studied the provisions of H. R. 6000 and presented a recommendation to request an amendment to exclude from social security public employees covered by existing retirement systems. This recommendation was approved with no dissenting votes by the Denver School Employes' Council at its meeting on January 9, 1950.

The committee in making this recommendation to exclude public employees covered by existing retirement plans from coverage under social security felt that this should be done for the following reasons:

1. The provisions of our local retirement plan—the Denver Public School Employees' Pension and Benefit Association—provides more generous benefits, and is better suited to the specific needs of the local group.

2. Our local retirement plan is a major factor, along with tenure and a reasonably adequate salary schedule, in the securing and keeping of a high-quality school personnel.

3. The theory upon which social security and local and State retirement plans are based is contradictory. It is a purpose of local

and State retirement plans for public employees to provide recognition for long and faithful service to a community, to recognize and secure persons who will make careers in public service. Local retirement plans must meet certain needs that are not inherent under the coverage of social security. Social security is primarily designed to protect the individual and family group by providing minimum income designed to minimize the needs for public assistance or direct governmental-aid programs.

4. The committee has difficulty in understanding why local or State public-employee groups should be placed under social security when other groups, such as Federal employees, railroad employees, and military personnel are permitted to remain under retirement systems better suited to their needs.

5. The referendum provision in H. R. 6000 is entirely unsatisfactory because: (*a*) An aggressive minority might cause a compact to be entered into without the sanction of a substantial majority of those in a retirement system, (*b*) there is no guarantee that each member of a retirement plan would be completely informed in regard to all issues involved especially those pertaining to the inclusion under social security versus their existing local plan, before being asked to vote, (*c*) the bill is ambiguous in respect to the details, frequency, and machinery for holding the referendum.

6. The committee felt that the propaganda recently issued indicating that public-employee groups might expect to eventually have their present local retirement plans as well as Federal social security is erroneous. Since H. R. 6000 makes no provision for the protection of local plans, it is reasonable to assume in times when the tax dollar is tight, that public employees might logically expect radical curtailment even to the point of abandonment, termination, or dissolution of the local plan and substitution of social security. As a result, adequate retirement plans long fought for and long established would be replaced with a substantially less desirable program for public employees.

At no time has it been the thought of the committee or Denver School Employees' Council that social-security benefits should be denied to any individual or group who now have no retirement protection. It is the feeling of the committee and the employees of the Denver public schools as expressed through their council that the program now in operation in Denver for all school employees, and all other programs in existence for the protection of public employees at the time of retirement, should not be jeopardized in any way. In order that these existing plans may be totally protected, the Denver School Employees' Council has taken the same position as others in our community and others in the Nation to specifically request amendments to H. R. 6000 providing for the exclusion of public employees in positions covered by retirement systems.

I have in this statement an exact amendment which I would like to have filed as a part of my testimony.

The CHAIRMAN. It will be filed as part of your testimony.

(The amendment referred to follows:)

1. In section 218 under definition, strike out (C) of paragraph (5).

2. In section 218 strike out (d) (1) (line 10, page 82, through line 17, page 83) and substitute:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

Mr. WALTERS. You have noted today that all of us from Colorado are in agreement on what we feel is best for our plan. You also note that our position is substantially the same as public-employee groups all over the country. It is our belief, then, that the best interest to our groups can be served by excluding us from the coverage of social security.

We certainly thank you for the time you have given us and the opportunity to present our position.

The CHAIRMAN. Thank you, sir. We appreciate the contribution that you and others who have appeared here have made to this study.

Are there questions?

Senator JOHNSON. I would like just to bring out this point: Under all of the plans which have been presented here the Federal Government makes no contribution.

Mr. WALTERS. That is correct; the Federal Government does not.

Senator JOHNSON. If you should adopt the other plan, the Federal Government would be required to make a substantial contribution provided the plan did not carry its own weight; is that not true? It would be a Federal responsibility?

Mr. WALTERS. You mean if we were covered under social security, then the financial responsibility becomes one of the Federal Government.

Senator JOHNSON. That is the point.

Mr. WALTERS. That would be true, but so far as our plans in Colorado are concerned, and I think it is generally true throughout the other plans, they are adequately financed in the main, and we don't feel that that will be a problem.

Senator JOHNSON. I realize that, but the point I am trying to make is that if we should blanket you in under the Federal plan, under the social-security plan, then the Federal Government would assume a much greater responsibility than it does at the present time.

Mr. WALTERS. I think that is true.

Senator JOHNSON. It has its hands pretty well filled right now.

Mr. WALTERS. That would be my impression from hearing the testimony here and elsewhere in the last few days.

Senator JOHNSON. That is all.

The CHAIRMAN. Any further questions?

Thank you very much, Mr. Walters, for coming.

Are there any other witnesses present who wish to be heard at this time?

(No response.)

The CHAIRMAN. If not, the committee will stand in recess until 10 o'clock tomorrow morning.

(At the request of Senator Johnson, the following letter is inserted at this point:)

HOUSE OF REPRESENTATIVES,
Denver, Colo., February 14, 1950.

Hon. EDWIN C. JOHNSON,
Senate Office Building, United States Congress,
Washington, D. C.

DEAR SENATOR JOHNSON: Since the extension of social security to public employees (as proposed in H. R. 6000) is the subject of this letter, and since both you and Senator Millikin from Colorado are members of the Senate Finance Committee now considering that proposal, I am directing an identical letter to Senator Eugene Millikin.

We note in press releases of the last week that the director of the State employees retirement association and members of the retirement board of the Denver Public School Employees Retirement Association (in addition to fire and police representatives) have been testifying in Washington before your Senate Finance Committee on the extension of social security to public employees under voluntary type agreements. The effect of the newspaper reports is that each of the people concerned favored the exclusion of those public employees who now have their own local or State retirement systems. The weight accorded the testimony of those who have spoken before your committee in regard to the exclusion of public employees with retirement plans in Colorado is of serious concern to the many public employees in this State who have some knowledge of what H. R. 6000 does propose. In that interest, this letter is being written and it is urged that you make this communication a matter of record for the Senate Finance Committee or for the Senate, generally through your regular publications.

During the last month, I have met with groups of State, municipal, and school district employees of Colorado in several different areas of the State where employees are affiliated with the State of Colorado public employees retirement system. Here in Denver, we are intimately working with school employees who are members of their own contributory system. Saturday, I met with forty-some delegates of teacher locals in northern Colorado representing school districts and university employees embracing a membership of over 1,000 in the State of Colorado public employees retirement system. Saturday evening, I met with an equal number of employees who are part of the staff of various departments in the State office buildings in Denver. Probably in the last 5 weeks, I have met with and spoken to groups of employees who in turn represent a sampling of the membership of the entire Denver Public Schools Retirement Association and upwards of 3,000 employees in the State of Colorado retirement system. I have not met with and I have not talked to any police or fire representatives and therefore this letter does not purport to present a point of view regarding the reactions of employees in that type of public service in this State.

On the basis of these meetings, we are particularly concerned with the testimony of Colorado Retirement Association officials before your Senate committee on the following bases:

1. Public employees generally do not know the facts about H. R. 6000. Specifically, the proposed section 218 is not being discussed in either direct or digested form with most of the public employees now in retirement systems in this State.

2. Outside of the director of public welfare in Colorado, Earl Kouns (who has testified to your committee on this bill concerning other sections of the bill and not concerning the subject of this letter), I have yet to find an employee of the State of Colorado or of any school district in Colorado who is a member of the State of Colorado retirement system who has been asked what his opinion is about H. R. 6000. By the same reasoning, there was no general survey of feeling among school employees in the Denver public schools retirement system taken prior to the time that officials of both of those retirement systems testified before your committee. In other words, even though the testimony might have represented the accurate thinking of the individuals who testified—and perhaps even the boards of control of the two pension systems under discussion—the viewpoints were nonetheless unrepresentative of the thinking of the rank-and-file membership of either of the systems since their thinking had not been sought prior to the decisions made by the top officials in those systems.

To many of us as public employees, it sets a dangerous precedent to have officials in the retirement systems to which we contribute testify before your committees without making an effort to ascertain the real viewpoints of the members of their respective retirement systems. The principal reason that these officials could not ascertain the viewpoints was simply because rank-and-file employees in either of the systems have not for the most part been presented with the facts of what the proposal is and what the protections and safeguards are in H. R. 6000 to those who now have retirement systems of their own.

We recognize that testimony should be weighed on its merits—but we feel that it is important that those of you considering the merits of the testimony of these pension officials from Colorado should recognize that they did not give a clear-cut picture of H. R. 6000 to the thousands of members in these two retirement systems and thus they did not request of these members on the basis of the facts a clear-cut expression of opinion concerning the stand that they, the pension officials, should take in regard to the proposed section 218 of H. R. 6000. This is a practice which we as public employees should generally condemn and want to make clear to you for the record.

In spite of the statements I am making to you, here, you will find that many teachers and other public employees in one of our retirement systems will be writing you urging that public employees so covered be excluded from H. R. 6000. Most of these letters will follow one of two patterns: (1) Handwritten copies of form or model letters which have been distributed for just that purpose or (2) personal letters from individuals who have been told through faculty or staff meetings that H. R. 6000 would endanger both the Denver and Colorado retirement systems. In both cases, probably less than one out of a hundred people have been presented a broad, well-rounded picture of what section 218 of H. R. 6000 really is. Many of them will be individual letters based on the assumption that if section 218 becomes law, immediately all teachers and public employees in Colorado will lose their existing retirement systems and will assume only the protection and benefits of the social security old-age and survivors' insurance program.

Specifically, the representative gathering of teachers in northern Colorado and the representative delegation of statehouse employees in Denver in their meetings on Saturday, February 11, requested that this communication be directed to you. There was one accord on these points:

1. For the most part, section 218 now provides adequate safeguards to public employees who are covered by some kind of retirement system of their own. However, it seems generally agreed by those who have studied the complete provisions of the section that it would be well to do the following:

(*a*) Provide in the written referendum that the ballots be secret and that the normal safeguards of privacy in voting be assured the voter.

(*b*) That in the referendum proposed the term "voters" be defined to include everyone who is eligible to vote rather than those who actually do cast a ballot.

2. There is general agreement that no person now protected by an adequate retirement plan is going to vote himself out of a good plan.

3. Generally, public employees in Colorado like the idea of permitting a vote on specific modifications of existing systems where a combination of social security and existing retirement systems will provide the kind of public retirement security that public servants should receive. In this regard, teachers and State employees in Colorado do not favor the insertion of any amendment which would require that those who now have retirement systems could only vote for social security as a "supplement" to those systems. Again, those who have studied and understand the situation feel that the proposal as it now is prepared will make possible reasonable modifications of existing retirement systems along with social security to provide better benefits than are now available in many cases at a cost no higher than what the present contributory cost would be in most plans. Again, these same people feel that no one will ever vote for a proposed modified plan to accept social security in any referendum if the benefits for retirement are decreased in the proposed modification. If there is great insistence that the word "supplement" be used, we feel that it is important that the words "or modification" of existing pension systems to include full social-security participation be added. But generally, the proposals that now stand would seem to guarantee that possibility.

4. The people who are testifying against including public employees who are now covered by their own retirement systems almost always emphasize that the employees covered in these systems would much rather deal with their local political subdivisions or their State governments. H. R. 6000 as it now stands

provides that they will have the opportunity, specifically, to deal with their State governments (and in turn with local political subdivisions if they are covered in local plans) to improve their retirement conditions. Actually, this argument is an argument for the proposal, because in dealing with State and local political subdivisions the public employees will give a much more critical look at the retirement systems in which they are members.

5. Most public employees are well aware of the fact that basic social-security benefits go with them from job to job. Although the movement of workers is not great in relative proportions between the several States, as public employees we recognize that a floor needs to be written under any kind of local or State retirement plan so that the worker receives at least a basic minimum protection if he leaves a particular job and moves into either another area of work or a different geographical or political area where his former retirement protection would cease. We believe that public employees are as capable as any other occupational group to judge for themselves whether they would individually benefit their own local retirement systems by the extension of social security to them or whether it would be against their best interests to vote themselves into social security. Certainly, section 218 (d) (1) provides that protection (with the amendment suggested above concerning balloting and who the voter shall be) to any public employee now covered by a local or State retirement system. On that basis, we urge favorable consideration of the type of proposal made in section 218 of H. R. 6000.

Sincerely yours,

HERRICK S. ROTH.

(Whereupon, at 3:30 p. m., the committee recessed until 10 a. m. Thursday, February 9, 1950.)

SOCIAL SECURITY REVISION

THURSDAY, FEBRUARY 9, 1950

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

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George (chairman), Lucas, Kerr, Millikin, and Martin.

Also present: Mrs. Elizabeth B. Springer, Acting Chief Clerk, and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will please come to order.

We will hear first this morning from Mr. John J. Goff, chairman of the Committee of Associated Pension Funds of New Jersey.

Mr. Goff?

STATEMENT OF JOHN J. GOFF, CHAIRMAN, COMMITTEE OF ASSOCIATED PENSION FUNDS OF NEW JERSEY

Mr. GOFF. Mr. Chairman and members of the Senate Finance Committee, my name is John J. Goff. I am chairman of the Committee of Associated Pension Funds of New Jersey, embracing the pension and retirement organizations which are listed immediately hereafter.

The CHAIRMAN. What are those pension funds?

Mr. GOFF. I have them listed here, Mr. Chairman. They are the following: Board of Health Employees, Newark, N. J.; Board of Health Employees, Paterson, N. J.; Board of Education Employees of Essex County, N. J.; Essex Council No. 1, New Jersey Civil Service Association; Employees' Retirement System of County of Essex, N. J.; Employees' Retirement System of County of Passaic, N. J.; Newark, N. J., Board of Works Pension Fund; Newark, N. J. Municipal Employees Pension Fund; Newark Firemen's Pension Fund; Newark Policemen's Pension Fund; New Jersey Civil Service Association; New Jersey Education Association; New Jersey State Health Officers' Association; State, County and Municipal Employees' Retirement System of New Jersey; State Prison Officers' Pension Fund. There are approximately 50,000 employees throughout New Jersey represented who are members of existing public employees' pension and retirement systems.

Many of these funds are affiliated with the National Conference on Public Employees Retirement Systems, of which I had the honor of serving as chairman for 4 years. At the present time the pension and annuity organizations affiliated with the national conference have a total membership of approximately 1,000,000.

I am an active participating member of a pension fund. As such, I am well aware of the concern which my fellow members have pertaining to the question of the possible extension of social security to public employees, and I can speak from personal knowledge of their feeling toward such extension which would include public employees who are now members of or who may become members of these legally constituted pension and retirement systems.

The membership of these State and local systems have a vested interest in the continuation of their own retirement plans, without impairment by Federal legislation.

For many years, public employees, such as policemen, firemen, teachers, civil-service employees of all classes, have devoted themselves to public service as a career, in considerable degree only because of the large measure of security in old-age assurance by their membership in various pension and retirement systems.

In most instances, one of the compelling reasons which led to acceptance of a State, county, or municipal position was reasonable assurance that, after the stipulated number of years of service had been rendered, the employee would receive a retirement benefit that would at least enable him to live free of the fear of want.

Most public employees in New Jersey are now covered by retirement funds established by State authority. In all instances these funds provide a retirement annuity which is more adequate for the career employee than that now provided or proposed under social security. And they make it possible for public employees, many in hazardous occupations, to retire at an earlier age than under social security.

Consider what might have happened during the recent war, when private industry began to bid for manpower by raising salaries higher and higher. Had there not been this picture of lack of fear and want, which had been assured them for their old age, many public employees undoubtedly would have left public employment and accepted jobs in industry, with their promise of large immediate financial gain. The fact that public employees, members of existing pension and retirement systems, did not in any large degree shift to industry dispels the statement that "shifting in and out of State and municipal employment is similar to that in other employments."

Mr. Chairman and Senators, I would like to deviate just a moment from my statement, here, and answer something that was said here yesterday by Mr. Chatters to the effect that two-thirds of the public employees do not remain in public employment a sufficient time to secure their pension benefits. I can say from personal experience of 29 years as a civil-service employee that I could count on one hand the number of employees that have left the service in the city of Newark. And those that did leave left for other employment in public employment, cases such as engineers accepting other positions in public employment.

Senator MILLIKIN. Were they covered in those other positions?

Mr. GOFF. Yes. They were able to carry their seniority and carry their pension rights with them.

Another phase that I think should be considered is the fact that in most public employment we are governed by civil service. And it would not be feasible to move in and out of public employment.

That statement was utterly ridiculous, from our personal knowledge.

Not at this time, nor since the Committee of Associated Pension Funds was organized some 9 years ago, have we ever expressed any opposition to the extension of social-security benefits to those public employees who at present have no protection from want in their old age. As a matter of fact, we concur in the resolution adopted by the National Conference on Public Employees Retirement Systems on April 2, 1942, which reads in part as follows:

> It is the sense of this conference that it takes no position on any pending legislation in the Congress of the United States, except insofar as the same may tend to diminish, defeat, or impair the interests, present or future, of any public employee in any existing pension system.

Although we do not oppose the extension of social security to these public employees who are not members of public pension funds, we are unalterably opposed to the extension of social security to public employees who are members of and eligible for membership in any State, county, or municipal pension or retirement system. To include such public employees would inevitably lead to the destruction of their own local systems, because the local taxpayer will not support both, nor is it reasonable to expect him to do so. Also, the superimposing of social security upon existing retirement plans would oppose a double burden of contributions upon the underpaid public employee.

A technical staff for a previous Ways and Means Committee, in a painstaking report, made reference to the problem of the lack of coverage for so-called migratory public employees. This question was answered during the war. The records will reveal that very few public employees who were members of existing systems left public employment for the higher salaries that were offered. However, any loss sustained by migratory public employees would be negligible in comparison with the loss which career public employees, now covered by their own retirement systems, would sustain were they embraced within social security, or if a Federal-State voluntary agreement or pact were provided, which loss would be the ultimate destruction of their own retirement systems.

As this committee well knows, there was no coverage of State and local employees under social security at the time the act was passed in 1935, because at that time there was no thought of taxing State and local employees, let alone the taxing of States and political subdivisions.

The first suggestions for covering State and local employees under social security was contained in the original Wagner bill introduced in August 1940. Such covereage under that bill would have been compulsory, and public employees challenged the right of the Federal Government to collect social-security taxes from States and their political subdivisions. They also protested against the policy of covering State and local employees, since many were already protected against the hazards of old age through State and local retirement systems.

This committee may remember the political repercussions in the fall of 1940 leading Senator Wagner to announce (1) that he had no intention of jeopardizing State and local retirement systems and (2) that he would amend his original bill to exclude members of State and local retirement systems from the proposed coverage. That bill, of course, did not pass.

Then came the Wagner-Murray-Dingell bills of the Seventy-ninth Congress. Then the Kean bill of the last Congress, which was objectionable; however, Mr. Kean agreed to amend his bill to meet the objections of public employees, members of existing funds. Then the Ways and Means Committee of the first session of this Congress drew and passed H. R. 6000 under the gag or no-amendment rule.

Mr. Kean from New Jersey tried to have his bill, H. R. 6297, which amply protected public employees who are members of existing pension or retirement systems, substituted for H. R. 6000. However, sufficient votes were not available to recommit H. R. 6000.

It may be said that the referendum in case of retirement systems, which is found on page 82, line 10 of the bill, is ample protection. To this we say "No," because it will place existing systems in constant jeopardy. There could be one referendum after another. It will permit the Social Security Board, with its unlimited funds, to deluge the persons concerned with well-planned propaganda.

Senator MILLIKIN. Is it not perfectly apparent that you could not make any long-range plans where you are operating under the constant threat of having your system absorbed by the Federal system?

Mr. GOFF. That is true, Senator. We would constantly be confronted with these referendums, and probably have to provide defense, without the wherewithal to do so.

Speakers from Washington will appear before every group of employees that can be persuaded to welcome them.

The referendum permits voting by persons already retired. In many instances these will not understand the issue involved. They may even believe that if they vote in the affirmative they would receive both their pension and social security even though they never were in covered employment as required by the social-security statute. Similar attitude may be taken by many employees believing also they would receive both. But as before stated, it is hard to conceive that the taxpayers would pay for both, nor is it reasonable to expect them to do so.

The referendum requires a two-thirds affirmative vote, but does not state two-thirds of what. Is it two-thirds of those voting? Two-thirds of all eligible to vote? The possibility is that we may have a compact approved by a number far less than a majority of all existing members of a system.

Senator MILLIKIN. May I ask you, please: What is the basis of your system? Do you have a code of law that regulates the system? Or is it by agreement of the members? Or just what is the legal basis of your system.

Mr. GOFF. Our statutes all, Senator, are provided by the legislature, by statutory acts.

Senator MILLIKIN. I see. Is there any provision in your statutes which would permit, say, two-thirds of the members of these systems to altar the systems?

Mr. GOFF. No. It would have to be done by State legislation.

Senator MILLIKIN. There is nothing of that kind?

Mr. GOFF. No, sir.

The dangers inherent in the referendum section become apparent only after one studies what will happen to the members of existing systems if a referendum is decreed in any State.

The public employees, members of existing pension systems, are not asking for anything, just to be left alone, with security after our own State's ideas, security to continue in the enjoyment of our existing systems, where most of us have benefits superior to those offered by social security.

In closing, we ask that the proposed amendment to section 106 of H. R. 6000, as follows, be included in the bill before it is reported by the Senate Finance Committee:

PROPOSED AMENDMENT TO SECTION 106 OF H. R. 6000

Strike out section 218 (d) (1) (beginning with line 10, page 82, to and including line 17, page 83) and substitute therefor the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

which amendment was submitted by the National Conference on Public Employes Retirement Systems and is supported by the Municipal Finance Officers' Association of the United States and Canada as well as all public employees who are members of existing pension funds.

This, gentlemen, we believe to be a most fair and reasonable request and I wish to thank each member of the committee in behalf of the more than 50,000 public employees in New Jersey, now enjoying the benefits of their local retirement systems.

Present here today are Fred Walker and Charles I. Levine, who, with myself, were directed by the New Jersey Civil Service Association to oppose H. R. 6000 unless it is amended to provide total exclusion of public employees, members of existing pension and retirement systems. They concur in my statement and remarks.

Attached hereto and made a part of this statement, please find a resolution which was adopted by the Legislature of New Jersey on March 23 and was signed by the Governor of New Jersey on March 25. It is known as Joint Resolution No. 4, Laws of 1942.

Now, I don't wish to take up the time of the committee, but I would like to have the joint resolution made a part of my statement.

The CHAIRMAN. You may have that entered in the record.

Let me ask you one question. As to the amendment which has been suggested, referring to the definition in subsection (b) (4), I have not referred to that definition. The amendment proposed is that—

Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section.

I suppose the definition as expanded by the amendment is broad enough to cover all of your systems?

Mr. GOFF. The amendment will include all that we are asking exclusion for.

The CHAIRMAN. Are you asking for exclusion of those presently in it, or those who are eligible?

Mr. GOFF. Both, Senator.

The CHAIRMAN. Yes. I though that you stressed that point.

Mr. GOFF. For the simple reason that our pension funds would die of stagnation if we were not afforded an opportunity to take in the new employees as they were employed.

Senator MILLIKIN. How much do your folks contribute to your systems?

Mr. GOFF. They vary, Senator. Some of them go as high as 7 and 8 percent. They average around 5.

Mr. MILLIKIN. Is an equal amount contributed by the State?

Mr. GOFF. As to the State annuity fund, the State does not meet the contribution. They just add such additional money as is necessary to keep the system sound.

The CHAIRMAN. They operate on a pay-as-you-go basis, as far as the State is concerned?

Mr. GOFF. That is right, Senator.

The CHAIRMAN. Are there any further questions?

We thank you very much for your appearance.

Mr. GOFF. Thank you for the privilege.

(The resolution submitted by Mr. Goff is as follows:)

NEWARK, N. J., *April 10, 1942.*

To the Members of the United States Congress, Washington, D. C.:

The following resolution was adopted by the Legislature of New Jersey on March 23, and was signed by the Governor of New Jersey on March 25. It is known as Joint Resolution No. 4, Laws of 1942.

"STATE OF NEW JERSEY

"Introduced February 9, 1942, by Senator Hendrickson.

"JOINT RESOLUTION MEMORIALIZING THE CONGRESS OF THE UNITED STATES TO REFUSE TO ENACT ANY LEGISLATION WHICH WOULD IMPAIR THE RIGHTS OF PUBLIC EMPLOYEES OF THE STATE OF NEW JERSEY AND ITS POLITICAL SUBDIVISIONS

"Whereas the Federal Social Security Act as enacted by Congress in the year one thousand nine hundred and thirty-five and as subsequently amended, excludes from its provisions, employees of the United States Government and of any State or political subdivision thereof; and

"Whereas under the provisions of the Federal Social Security Act, each State and its political subdivisions are immune from the tax imposed upon employers by the act aforesaid; and

"Whereas the employees of each State and political subdivision thereof are immune from the tax imposed upon employees by the act aforesaid; and

"Whereas there are one or more bills now pending in the Congress of the United States which would have the effect of extending coverage of the Social Security Act to all States and their political subdivisions and the employees thereof; and

"Whereas the President of the United States has said that the objectives of the Social Security Act should not and need not be attained at the sacrifice of protection now available to some municipal workers through existing pension and retirement systems; and

"Whereas there are approximately fifty thousand public employees in the State of New Jersey who have contributed to and are members of approximately one hundred fifty statutory pension funds; and

"Whereas the extension of the provisions of the Social Security Act would not only impose additional taxation upon the State of New Jersey and many of its political subdivisions and the employees thereof, but would likewise tend to impair the benefits and protection which have been gained by public employees now members of existing pension funds: Now, therefore, be it

"*Resolved by the Senate and General Assembly of the State of New Jersey:*

"1. The Legislature of the State of New Jersey looks with concern upon any proposal to extend the present Federal Social Security Act to the State of New Jersey, its political subdivisions and the employees thereof who are now members of existing legally created pension and retirement systems and, therefore, respectfully urges and petitions the Congress of the United States to refuse to enact any legislation which would extend the provisions of the Social Security Act to those public employees now members of legally constituted State or local pension, retirement or annuity systems.

"2. The Secretary of State be and he is hereby directed to transmit copies of this joint resolution to the President of the United States, the Vice-President of the United States, the Chairman of the Ways and Means Committee of the House of Representatives, the Senators and Representatives of the State of New Jersey in the Congress, the Federal Security Administrator, and the Federal Social Security Board.

"3. This joint resolution shall take effect immediately."

Although the resolution by its own terms provides that certified copies be sent to certain Members of Congress, serving on the Ways and Means Committee, this resolution is sent to you together with all other Members of Congress, for your information, through the courtesy of the Committee of Associated Pension Funds of New Jersey.

JOHN J. GOFF, *Chairman.*

The CHAIRMAN. Miss Evelyn Sholund? Miss Sholund, will you please identify yourself for the record?

STATEMENT OF MISS EVELYN SHOLUND, MUNICIPAL FINANCE OFFICERS ASSOCIATION, CHICAGO, ILL.

Miss SHOLUND. Yes, sir. My name is Evelyn Sholund. I am a member of the Municipal Finance Officers Association of the United States and Canada, and am substituting for Mr. A. A. Weinberg. Mr. Weinberg is chairman of our association's committee on public employee retirement administration.

Because of the limited time available for this report, I shall touch upon the more important items.

I appear before your committee to state the position of the association on the question of social-security extension to employees of State and local governments. The Canadian members of our association, representing about 17 percent of our total membership, have refrained from taking a position on this question because it concerns an issue affecting only the United States.

The Municipal Finance Officers Association is a fact-finding and research organization comprising more than 2,300 officials of State and local governments, including finance officers, comptrollers and auditors, and professional people interested in problems of municipal finance and accounting. Since the financing of retirement plans is a part of the function of the finance division of government, the association some years ago extended its field of activity to include the subject of planning, financing, and administration of retirement plans for public employees. It created, and has been maintaining, a standing committee on retirement dealing exclusively with this problem.

The position of the association with respect to the proposed legislation to include public employees under the old-age and survivors insurance provisions of the Social Security Act is that it is not adverse to the extension of these provisions to public employees having no retirement coverage locally, but is opposed to the extension of the act to employees of State and local governments who are already covered by established local retirement plans. Its view is that these employees now participating in local plans should be granted complete exclusion from coverage, and its reasons for this position may briefly be summarized as follows:

1. Many employees have built up large accrued equities and pension credits for long periods of service, which would be jeopardized by making it possible for them to come under social security. The referendum provision offers no protection to the employees, because any

political subdivision could, by a process of attrition, on the pretense of retrenchment, force the acceptance of social-security coverage, merely by reducing or withholding contributions to the local retirement system, or through other forms of pressure.

2. The local retirement plans for the most part provide considerably higher rates of pension for the workers who remain in the service of a State or local government for the greater part of their productive period.

3. Making the provisions of the Social Security Act available to the States and local governments as to those employees already covered by a local retirement plan would be regarded by some officials and local agencies as an opportunity to shift the accrued pension obligations from the local communities to the Federal Government, particularly since in many jurisdictions these obligations represent substantial amounts which are required to be amortized over a period of years in the future by regular periodic contributions.

4. Public employees are not in the same favorable position as employees of industry who have the means by which to assert their rights to welfare provisions such as pensions, and they cannot, therefore, be assured of an adjustment of their local plan and integration with social security as is contemplated by the sponsors of this coverage.

5. The same factors that exist in industrial enterprise for the establishment and maintenance of supplementary pension plans are not found in public administration. Such important factors as the profit-making motive, pressures from organized labor, and the use of the pension contribution as a tax deduction are peculiar only to industry. These factors influence pension policy for industry and are responsible in a large measure for the creation of supplementary plans.

6. Public employees are fearful that making it possible for the local legislative body to cover the employees under social security would result in an effort to bring about the dissolution of the local plans and their replacement by social security. They do not consider the referendum provision as adequate protection since under that provision a minority of the employees, under pressure by the local officials, could force the entire group under social security. H. R. 6000 provides that the affirmative vote of two-thirds of the employees voting on the issue, rather than of a substantial majority of the membership of the system, would be necessary to effect coverage for the employees participating in a local retirement system. In any kind of reorganization involving a change in the basic structure of a corporate plan, for example, the practice generally is to require the approval of at least 85 percent of all persons having any monetary interest in the unit to be reorganized. The requirement of only a political majority under the referendum provided by H. R. 6000 emphasizes the weakness of that provision.

7. The referendum provision is subject to further criticism on the ground that it includes pensioners among the persons qualified to vote on this issue.

Senator MILLIKIN. Mr. Chairman, may I ask a question?

The CHAIRMAN. Senator Millikin.

Senator MILLIKIN. May I ask you: Do you know of any State law basic to these systems which gives the members of the system the right, by vote, of merging the system into some other system?

Miss SHOLUND. I believe not, sir. I think that that would require extra legislation.

Senator MILLIKIN. Mr. Chairman, may I address an inquiry generally on that?

Does anyone in the room know of any basic State legislation as to these State pension systems which give the privilege to the beneficiaries of merging the system into some other system upon a vote of the members?

The CHAIRMAN. Mr. Cohen, can you give us any information?

Mr. WILBUR J. COHEN (technical adviser to Commissioner for Social Security). Not that I know of, Senator, but I will check into it.

Senator MILLIKIN. I think the record should show that we have a large attendance here of persons from the States acquainted with these systems, and that no one knows of any such law.

The CHAIRMAN. All right.

(The following information was later submitted by Mr. Cohen:)

ANALYSES OF LEGAL PROVISIONS OF STATE RETIREMENT LAWS: EXCERPTS RELATING TO AFFILIATION OF LOCALITIES WITH EXISTING SYSTEMS THROUGH VOTE OF MEMBERS

Alabama employees' retirement system

Should a majority of the members of a local pension system of an employer elect to become members of the employees' retirement system, by a petition signed by such members, participation may be approved by employing unit as though such local pension system were not in operation; cash and securities are transferred to this system and pensions awarded are continued at local existing rates.

California State employees' retirement system

If a public agency already has an existing local retirement or pension system in effect, a two-thirds vote of approval by active members of the local system voting as a unit is necessary for the inclusion of its members in the contract. Cash and securities of the local system held on account of persons who become members of the State system shall be transferred, relative shares of such members shall be credited to their individual accounts, and annuities or pensions being paid are continued at the existing local rates. A contracting agency may elect to continue the local system and place only a portion of its members under the State retirement system; however, the local system is discontinued if all of its members become members of the State system.

Georgia teachers' retirement system

Local systems may affiliate by majority vote of members and approval of employer. The State system does not assume liability for annuitants already on the local roll when a local system affiliates.

Indiana public employees' retirement system

Elective to members of existing local retirement funds; members of such funds may elect to join the public employees' retirement system by a vote of approval of 75 percent of such covered members.

Indiana teachers' retirement fund

Teachers in school districts operating a retirement system in 1915 (date of enactment of the State system) could be covered through a majority vote.

Iowa old-age and survivors insurance system

Any political subdivision (public school district, municipal corporation, county, or township) operating a retirement system maintained in whole or in part by public contributions may as a whole elect to become members of this system in accordance with regulations prescribed by the Commission.

Kansas school retirement system

Members of a separate school retirement system may affiliate by a majority vote under conditions prescribed by the board.

Kentucky teachers' retirement system

Optional (by local election) for members of systems already established. On the affiliation of a locality already operating a system, contributions are refunded to members and the remainder is used to pay annuities already granted by the locality, which is required to levy tax annually to cover deficiency, if any.

Louisiana teachers' retirement system

Participation of teachers belonging to a fund already operated by city, parish, or other subdivision is on basis of individual choice. Teachers may withdraw individually from a local system and join the State system; in this event the local system is required by law to refund the seceding members' contributions, or the member may leave funds on deposit at 3 percent until he retires or leaves active service, when the amount will be refunded in lump sum.

Maryland employees' retirement system

If 60 percent of the members of any local pension system elected to be members of the employees' retirement system of the State, by petition signed by such members, the participation of such members may be approved by the legislative body of such municipal corporation as though such local pension system were not in operation. The operation of the local pension system shall be discontinued as of date of approval, cash and securities shall be transferred with membership shares credited, and the existing pensions being paid on the date of approval shall be continued and paid at their existing rates under the employees' retirement system of the State.

Montana public employees' retirement system

Should the legislative body of a local unit which has an existing retirement or pension fund or system decide to cover the members of such local system, the resolution must be approved by a two-thirds vote of the active members; and the legislative body shall not include in the contract any of the employees, a majority of whose members voted to disapprove the proposed system. If all members of the local system become members of this retirement system, the local system shall be discontinued.

New Hampshire employees' retirement system

Should a majority of the members of any local retirement system (other than teachers', policemen's, or firemen's retirement system) elect to become members of this system, by petition duly signed by such members, and should their employers elect to have them participate (by resolution legally adopted), such employees shall participate as though such local retirement system were not in operation; cash and securities are transferred to this system and allowances awarded are continued at existing local rates.

New York State employees' retirement system

Should 60 percent of the members of any local retirement or pension fund elect to become members, by a petition duly signed by such members, participation may be approved as though such local pension system were not in operation. The operation of the local pension system shall be discontinued as of date of approval; cash and securities shall be transferred with membership shares credited, and the existing pensions being paid on the date of approval shall be continued and paid at their existing rates.

North Carolina local government employees' retirement system

Should 60 percent of the members of any local pension system elect to become members, by a petition duly signed by such members, participation may be approved as though such local system were not in operation (operation of such local pension system shall be discontinued as of date of approval).

Ohio school employees' retirement system

Excludes members of another State retirement system, and of local retirement systems unless members and their employer elect coverage.

Ohio teachers' retirement system

Optional for persons already covered by local contributory or noncontributory plan. (Analysis does not show details; may be individual option.)

Oregon Public Employees' Retirement Act

Employing units with previously established systems may affiliate only by electing to integrate the local system with public employees' retirement system (integration of a teachers' association requires the adoption of a contract of integration by a majority vote of the board of trustees of the association, approval of the board of directors of the school district, and a two-thirds vote of the active members of the association; integration of other systems requires an application by two-thirds of the covered employees and their employer). Coverage is optional for any member of a teachers' association which is integrated with this system (alternative to coverage is refund of contributions made to the teachers' association).

Pennsylvania municipal employees' retirement system

Elective to members of an existing pension fund maintained by a municipality; members of such funds may elect to join within 3 years after the municipality elects to participate by a vote of approval of 75 percent of such members.

Pennsylvania public school employees' retirement system

Optional for members of local systems already existing (two-thirds vote to affiliate).

South Carolina retirement system

Teachers or employees who are members of any other existing local retirement system shall not be entitled to membership unless within 1 year after the establishment of this system, such person shall notify the board of his individual election and choice to participate in this system. Should the majority of the members of such local system elect to participate, the board shall notify the persons in charge of such retirement system that on and after a certain date all the members of that local system shall be eligible to participate. Members of such local retirement system may elect not to become members of the South Carolina retirement system within 30 days after this date; employees and teachers hired thereafter are compulsorily covered. If the majority of the local system vote to participate, the local fund shall be discontinued; but existing pensions shall be continued by local units from its funds, and excess amounts distributed among active members in proportion to but not exceeding their accumulated contributions.

Tennessee teachers retirement system

If localities dissolve their systems within 12 months after July 1, 1945 (effective date of State system), their teachers become members of State system with prior service credited.

Virginia retirement system

Should the majority of the members of any local pension system elect to become members of this retirement system, by a petition duly signed by such members, participation may be approved as though such local pension system were not in operation. As of the date of approval, cash and securities shall be transferred, proportions of the fund which represent employee contributions shall be credited to their individual accounts, pensions being paid shall be continued and paid at their existing rates, and the local pension system shall be discontinued.

Wisconsin municipal retirement fund

Excludes persons covered by a local retirement system whom the governing body of the municipality elects to exclude. Persons who are members of or eligible for membership in local policemen's and firemen's pension funds are automatically excluded; however, any such person may, by written notice filed with the city or village clerk, irrevocably renounce all benefits under such funds (secs. 61.65 or 62.13 (10) of the Wisconsin statutes) and be exclusively under the Wisconsin municipal retirement fund.

The CHAIRMAN. You may proceed, Miss Sholund.

Miss SHOLUND. As I said, the referendum provision is subject to further criticism on the ground that it includes pensioners among the persons qualified to vote on this issue. These persons have had their rights fixed and have nothing to look forward to in respect to further benefits. In the older systems pensioners comprise about 25 percent

or more of the total number of participants. Giving these persons a right to vote is fundamentally wrong and contrary to all principle. Many of these persons would be influenced in voting in favor of inclusion under the mistaken impression that they would be able to get more benefits.

8. The State and local governments should be permitted to continue the development of their local systems according to sound actuarial principles. These systems have made considerable progress in recent years. Granting an option to participation would inevitably result in the gradual transfer of the pension obligation to the Federal Government, and the eventual disintegration of local retirement systems.

Senator MILLIKIN. Mr. Chairman, I should like to ask the witness whether she is aware of the fact that the reserve funds of the Federal system are spent currently for general revenue purposes as distinguished from the accumulation of reserves which do not represent an ultimate repayment obligation, under your private system. Are you aware of that fact?

Miss SHOLUND. Yes, sir. I am aware of that fact.

Senator KERR. What is it that you are aware of?

Miss SHOLUND. I am sorry, Senator.

Senator KERR. What is it you just indicated you are aware of?

Miss SHOLUND. I am aware of the fact that in the local retirement systems there is an accumulated reserve that is not spent currently, and that in the social-security system the moneys are expended currently.

Senator KERR. Now, what do you mean by "expended"? Do you mean by that that they are parted with, and that the agency has no way of recalling them or anything in lieu of them?

Miss SHOLUND. Yes, sir. In most of the local and municipal pension funds, the system is that they are financed jointly by the governmental agency and the participants in the fund.

Senator KERR. Yes; the employer and the employee.

Miss SHOLUND. That is correct, sir.

Senator KERR. And the agency takes the money and invests it.

Miss SHOLUND. That is correct, sir.

Senator KERR. In what?

Miss SHOLUND. That is usually determined by the law governing the fund. The moneys are usually invested in United States Government bonds or municipal bonds of the State involved. I believe that is the common practice.

Senator KERR. What is your State?

Miss SHOLUND. Illinois, sir.

Senator KERR. Would you consider the funds of the agency in Illinois that it had received from contributions of the employees and from the State, that had been invested in State bonds of the State of Illinois, as having been spent and title lost?

Miss SHOLUND. No. There is sufficient revenue so that a reserve is set up.

Senator KERR. Now, would you consider the funds of the Federal agency that are invested in Government bonds as being in any different category?

Miss SHOLUND. No; only as to the amount that is invested, if I understand it correctly. I believe that there is a higher percentage

of reserve deposit in the municipal and local funds than there is in the social-security fund.

Senator KERR. Well, now, I was not questioning you about the percentage of reserve with reference to obligations.

Miss SHOLUND. That is the only difference, in my understanding.

Senator KERR. That is the only difference?

Miss SHOLUND. Yes.

Senator KERR. As I understand the question addressed to you, it was: Were you aware of the fact that the money invested in the Federal agency is spent for current operating expenses of the Government and thereby no longer available as a reserve to the fund?

Miss SHOLUND. I will probably have to qualify my remark.

Senator MILLIKIN. Then let me clarify my question. When the school teachers, for example, and the policemen, and the firemen in these various systems make their contribution, that money is spent for bonds, as you have pointed out, to make up the reserve. At the same time, is the same amount of money spent for the general revenue purposes of these various State governments?

Maybe I should make it even a little clearer, since we have entered into this at some length.

At the present time the employer sends in to the collector of internal revenue his own share of the contributions and the employees' share of the contributions to the insurance system. Those moneys are gathered in from all these collectors all over the country, and they go into the Treasury. The Treasury sets up a credit for the benefit of the insurance trust fund. They say, "What do you want us to do with this?"—theoretically. The trustees of the insurance trust fund say, "Well, give us Government bonds." Whereupon, usually, not in all cases, the Treasury hands a special type of bond to these trustees.

Perhaps we can now develop the point of departure. That money which is collected by the Treasury is then spent for the general revenue purposes of the Government. The insurance trust fund has a bond of the Government, which ultimately must be paid by the taxpayer. In other words, the contributors have paid the amount represented by that bond.

The taxpayer in the future, when we are running under deficit finance, must finally pay that bond. And to the extent that the insured, under the Federal Government system, is also a taxpayer, he is paying double. But in any event, I suggest, the money that goes into the fund and which goes into the Treasury and which is promptly spent for general revenue purposes is not spent to increase the strength to that amount of the insurance system; whereas under your systems and under private systems the money that you take in from your premiums or whatever you want to call them is spent for the protection of the insurance system and is not spent for general revenue purposes.

Miss SHOLUND. That is very correct, sir.

Senator MILLIKIN. Are you aware of that distinction?

Miss SHOLUND. Yes, indeed. That is very correct.

Senator MILLIKIN. Thank you.

Miss SHOLUND. The ninth point: Finally, the local retirement systems, like the civil service retirement fund for Federal employees, have been established to meet certain definite personnel objectives and are essential for the maintenance of an effective and realistic personnel

policy for State and local Government employees. They have become an integral part of public administration, and exercise an extremely important function in governmental operations.

The association's position, therefore, is that public employees already covered by existing local retirement systems should be granted complete exclusion from social security coverage in order that they may be permitted to develop without any hindrance or restriction their own retirement plans on a basis which will provide greater protection to the employees and their dependents.

The CHAIRMAN. We thank you very much.

Senator LUCAS. I should like to apologize to the young lady for not being here when she commenced her statement, but I had a previous engagement which was a little longer than I anticipated.

Miss SHOLUND. We understand, Senator Lucas. Yesterday, I believe you heard our point of view expressed by another committee, of which I was a member. The report just given is similar to that point of view. Since this association is sharing the time with the Chicago group, I will withdraw.

The CHAIRMAN. Mr. George Mulligan?

You may have a seat if you wish, Mr. Mulligan.

STATEMENT OF GEORGE F. MULLIGAN, JR., MEMBER, RETIREMENT SYSTEM, CITY OF CHICAGO, APPEARING ON BEHALF OF PARTICIPANTS OF PUBLIC EMPLOYEE PENSION FUNDS OPERATING IN CHICAGO, COOK COUNTY, AND STATE OF ILLINOIS

Mr. MULLIGAN. Thank you. My name is George F. Mulligan, Jr., of Chicago, Ill.; a member of a retirement system of the city of Chicago. I am one of the committee of three that was picked by these various pension funds to appear on their behalf. I know that you gentlemen are very busy, and I do not want to take up any more of your time than is necessary to get across the one point that these pension funds have agreed on, and that is that we would like to be exempted from inclusion in social security. That is our sole point.

We have many reasons, the primary reason being that we do not feel that social security and our public municipal systems can exist at the same time and in the same locale. It would be a happy dream if they could, but such a thing is not possible. The encroachment of social security upon our private systems would wipe out those hopes that various members of the systems have had throughout their years of service.

John Dillon, in his work on municipalities, has said that pension systems and pensions "are the rewards for long and meritorious service, given by the graciousness of Government as a bounty." Pension systems have long been in effect for the sole purpose of securing that long and meritorious and loyal service of public employees. It has long been known that the pay of public employees, as a general thing, is less than pay for similar work in private industry.

In Chicago and in the State of Illinois, the turn-over in public employees has been very small. Most of it, I feel and believe, is because they have their pension plans and their hopes for retirement; and for that reason, as well as making a career of public service, they stay in the public service.

Municipal pension systems were really originated many, many years ago. In fact, the oldest one in the State of Illinois is the firemen's system, which was started in 1852, 98 years ago. The next one to be created was the police system. And we have now a great number of municipal pension systems, covering practically, and I use that word advisedly, all public employees in the city and most of the State with pension systems which have been brought up to date and are at the present time the result of the best and most modern policies in pension planning.

We are not opposed to the extension of social security for those who have no retirement systems. We do not wish to be dog-in-the-manger about it at all. We think people should be protected, particularly against themselves. But as far as those of us who are members of public employee retirement systems are concerned, all we are asking is that we be let alone. We do not want anything from the Federal Government.

I would appreciate it, Mr. Chairman, if my printed statement might be made a part of the record.

Senator LUCAS. May I ask a question, Mr. Chairman?

The CHAIRMAN. Senator Lucas.

Senator LUCAS. Mr. Mulligan, as I understand it, you are representing here, according to this manuscript, some 20 different organizations.

Mr. MULLIGAN. There are 16, sir.

Senator LUCAS. Sixteen different organizations, all in the city of Chicago?

Mr. MULLIGAN. County Cook, State of Illinois.

Senator LUCAS. And the total number that are participating in these various pension funds for public employees is around 91,000?

Mr. MULLIGAN. The groups that are mentioned here; yes, sir.

Senator LUCAS. And you are speaking, now, for that total group?

Mr. MULLIGAN. Yes, sir.

Senator LUCAS. You are speaking for them before this committee. And you feel, as I understand it, that H. R. 6000, as it has come to the Senate from the House of Representatives, even though it provides that there are to be four steps involved before you could finally dissolve the present pension plan of these various groups, does not provide sufficient protection to the present private pension system which you folks are operating under?

Mr. MULLIGAN. Yes, sir; that is the thought.

Senator LUCAS. Can you elaborate just a little on that for the benefit of this committee, as to why you believe that the four steps that are laid down in the present bill are insufficient to protect the membership of these various pension funds?

Mr. MULLIGAN. The four steps that are laid down in the present bill are far too loosely drawn to act as a safeguard to members of public employees retirement systems. In that I would particularly like to draw your attention to the fact that it says it is to be by two-thirds vote—I can't remember the exact language—without defining what shall be considered a vote, whether or not it is those eligible to vote or those who actually do vote or whether it is those members who are still contributing and whose pensions are not fixed, those beneficiaries who are now receiving pensions and who perhaps might, through misunderstanding, hope to receive an increase by reason of social security.

We have in the bill as it stands now no definition whatsoever as to what the lines are that are to be followed. There is no machinery set up for the holding of an election or the taking of the vote. There is no machinery set up, nor any process set out, whereby these matters should be initiated, or by whom, or who is going to hold the election, or who is going to pay for it, or how the matter is to be done at all. It is very loose, the entire process.

Then, too, it might be possible that a fund, let us say, having a membership of 1,500 members might have an election, and those who are opposed to inclusion in social security might not even take the trouble to vote, feeling that the two-thirds requirement would require a thousand of their members to vote favorably for social security. Out of the 1,500 people, the 1,500 members of this system, 100 of them vote, let's say. Sixty-seven of them vote to be covered by social security. Now, we have this question. That is two-thirds of those who voted. Are the members of the fund, the rest of them, who have not voted, to be forced into social security by reason of the fact that 67 people out of 1,500 want it? It does not seem to us that there is sufficient protection there.

Senator LUCAS. Right on that point: Even though you had the sufficient protection that you are discussing at the present moment, you would still be in opposition to the bill?

Mr. MULLIGAN. That is the feeling of the people in the fund that I represent.

Senator LUCAS. I understand.

Mr. MULLIGAN. Now, as far as the necessity of having to enter into a compulsory compact with the Social Security Board, they may have entered into a voluntary compact as far as certain noncovered public employees are concerned. Whether or not that compact would extend to cover this group that would be taken into social security by the 67 members or not, I cannot at this moment state. But even in the event it did not, we are faced with this situation. The 67 men have put this group of 1,500 into social security. The legislature of the State of Illinois, who are the people, of course, who would make the voluntary compact, might then consider it a mandate, as far as this particular pension fund is concerned, to put them into social security.

There used to be a time in the past when legislatures had a little different attitude toward pensions. The world has become pension conscious since. Everyone wants to get on the band wagon, that is, everybody but the employees of the Social Security Board. They don't want to have any part of social security. They want to stay out. They have their own retirement system. That is what we have got. That is what we want to keep.

They have their own pension system down there. As a matter of fact, I drew the bill. But that doesn't say that I am still going to be able to keep our funds out of social security in the event the members of the legislature of the great State of Illinois might feel that we have here a mandate.

We have a rather peculiar situation in Illinois. We have a little better than half the population in the city of Chicago. But we have a larger number of representatives from down State who don't always go along with what the city likes, or thinks, or should have. But those are situations in Illinois. Sixty-seven people put these fifteen hundred people under social security. The legislature considers it

a mandate and takes them in. And there you are. A very, very small minority of a large group, who are receiving benefits far in excess of those provided by social security, are now in social security. Perhaps these 67 people have 1 or 2 years on the job. They have nothing to lose. But it is the old-timer who is going to take it on the chin. What are we going to do about the moneys that we have in our funds now, the reserve that has been built up, and that, incidentally, is not being used for paying of current expenses of the city, because the investments are all diversified throughout the State, and in Government bonds? What is going to happen to that? What is going to happen to our people who are now receiving pensions from our funds, if they went into social security? There is no provision to take care of them.

The amount of money that is paid by social security on a $300 a month salary, as proposed by this bill, is $84, upon 30 years' service. For a shorter period of coverage, or for $250 a month salary, it is $72. There is $12 difference, over a long period of time. Our pension funds in Illinois, and I speak with a great deal of pride on this, have provided for a minimum pension, and a great many of them for 1½ percent of a man's salary for each year of service, providing he has served 20 years and has attained age 65.

The average working years of a man's life are about 40, except in the fire and police departments. They have to quit at 63, so there is only 38 there. But you take, for instance, our fire and police departments. Suppose they had to stop at age 63. What happens in the 2 years in the meantime, unless we come down to 60? Of course, there is some provision in connection with that.

But we have firemen and policemen whose annuities are fixed at age 57. They can quit at any time and go out and get themselves jobs as guards at the bank, or something, and continue to live at the same standard of living that they have had before. But you take the man who has had 40 years of life in which to work, 40 productive years.

Senator LUCAS. There is no uniformity among these particular private systems that exist there, as far as retirement is concerned, is there?

Mr. MULLIGAN. Yes, Your Honor, there is quite a bit of uniformity. There was established in the State of Illinois a pension commission by the governor 4 years ago, and the pension systems follow very closely one another. There are small differences, minute differences, to take care of certain situations concerning work; but as a general thing, many of the systems have almost identical plans. There is a little history back of that——

Senator LUCAS. The only reason I asked what I did was because of what you said with respect to the age of retirement.

Mr. MULLIGAN. Firemen and policemen, of course, have an especially hazardous position. The State felt that these men were possibly worn out at age 63.

There is a peculiar thing about that. There are a lot of people who used to say, "When I get to be 50, I am going to take my pension and take it easy" Finally, however, they had to pass a law, in some cases, to get them out of their jobs, because they had reached a point where they were inefficient. The firemen's retirement age generally is 63. We have no forced retirement in Illinois from public employee jobs. A man might come on at 50 and work for 20 years. He would

then be entitled to retire at 30 percent of his average salary for the last 5 years of his service, plus $150 a year, or $12.50 a month. But his salary for pension purposes is not to be considered as exceeding $4,800.

Senator LUCAS. I want to say, Mr. Mulligan, that it is unusual to find a hundred thousand people protected by a private pension system being represented before a committee and expressing themselves as desiring to try to get out from under a Federal law. As a general rule, most of them are trying to get under the law rather than get out from under it.

Mr. MULLIGAN. Perhaps the governmental provisions under which they work may not be as generous or, let us say, as farsighted, as those of your State, Senator.

The CHAIRMAN. You would not expect your legislature to do anything for the betterment of your system and the improvement of your system if this provision in H. R. 6000 remained in the law and repeated referendums could be held on whether or not you would displace it by the Federal system?

Mr. MULLIGAN. I am afraid I do not quite follow you, Senator.

The CHAIRMAN. Well, I observe you are a very practical man.

Mr. MULLIGAN. Thank you.

The CHAIRMAN. And I think you have had a great deal of experience. You would not expect your legislature, would you, in Illinois or any other State, to do anything to improve the pension system for your teachers or your firemen or your police officers if this provision in H. R. 6000 remained in the law? Would not the legislature say, "We do not know when you are going to vote to come out from under, and therefore we will let your system remain as it is?"

Mr. MULLIGAN. I see what you mean. I believe that the legislature is swayed very greatly by the facts which are presented to it by the board of trustees or the legislative counsel who may appear before them in connection with proposed amendments to their acts. There might be a slight reluctance on the part of the legislature, in the event H. R. 6000 were passed in its present form, because, as you say, they might say, "Well, why should we try to improve it? Why should we give you more money? Why should we increase your benefits? We cannot tell when you boys are going under social security." I see your point. I agree with you.

The CHAIRMAN. It was a point that anyone under a State or municipal pension system might very well be expected to consider.

Senator KERR. I want you to know that I am in pretty thorough accord with the objective that you have in mind.

Mr. MULLIGAN. I am happy to hear it, Senator.

Senator KERR. But I do feel, for the record and for your own information, that there is one thing that maybe should be cleared up. Let us say the Municipal Employees' Annuity and Benefit Fund of Chicago has $10,000,000 that they have collected, and they invest that in Government bonds.

Mr. MULLIGAN. They don't, necessarily.

Senator KERR. But I say, let us assume. Then let us assume that the Social Security Board has $10,000,000 that they have collected, and they invest that in Government bonds. Would you say that the Government bonds owned by the Social Security Board were of equal

value to those owned by the Municipal Employees' Annuity and Benefit Fund of Chicago?

Mr. MULLIGAN. No, sir; I would not.

Senator KERR. You would not?

Mr. MULLIGAN. No, sir; and I will go further if you want me to.

Senator KERR. I would be glad if you would explain to me what would depreciate the bonds.

Mr. MULLIGAN. It is not the depreciation, Senator.

Senator KERR. By reason of the difference in ownership.

Mr. MULLIGAN. The sole question is the spread of the taxation, which is going to redeem those bonds. Here we have a small group. Their bonds, to my way of thinking, are being redeemed by all the people of the United States who pay taxes. On the other hand, the bonds of the social security people are being redeemed by the owners themselves, the people who have to get social security out of it.

Senator KERR. Well, they are all prima facie evidence of Government indebtedness.

Mr. MULLIGAN. Yes, sir. That is just my reaction.

Senator KERR. They are all issued by a common issuing source.

Mr. MULLIGAN. And all payable from the same source.

Senator KERR. And they are all payable from the same source, yes.

Mr. MULLIGAN. Yes, sir; I agree with you.

Senator KERR. And they could even be of the same series of issuance.

Mr. MULLIGAN. Right you are.

Senator KERR. And you still feel that there would be a difference in the value of the ones owned on the one hand by the Municipal Employees' Annuity and Benefit Fund of Chicago and those owned on the other hand by the Social Security Board?

Mr. MULLIGAN. Well, Senator, you know, feelings in the matter are sometimes different.

Senator KERR. I frankly had hoped that I could get from you an expression of opinion based on facts. I was not primarily in feelings.

Mr. MULLIGAN. The only difference is that those bonds are held by the Municipal Employees' Annuity and Benefit Fund of Chicago, and Government bonds are paid by all the people in the United States who pay taxes, income taxes. On the other hand, it is like a man transferring something from one pocket to another, as far as the boys in social security, those who are members of social security, are concerned, because they are redeeming something in order that they may get back that which they have already paid in; whereas in the municipal employees' system they are getting a little bit from everybody. Do you follow me? Ultimately there is no difference. If one is going to fail, the other is going to fail.

Senator KERR. You say there is no difference in the value?

Mr. MULLIGAN. There is to my way of thinking, but as a practical matter, there is not. Maybe I am prejudiced.

Senator KERR. No; I do not think you are prejudiced. I think you are very clear in your thinking. But there evidently is something that I neither know nor am able to learn, if there is a difference in the value of a Government bond by reason of the fact that it may be owned on the hand by a State or municipal agency and on the other hand by the Social Security Board of the Government.

Mr. MULLIGAN. Well, Senator, if you do not know it, you surely cannot expect me to know it.

Senator KERR. I thought that if your ability to explain is of the same quality as your feeling, it was entirely possible that I might get a ray of light from it.

Mr. MULLIGAN. Well, you know, they say the Irish have very deep feelings; but we cannot always explain things.

Senator MILLIKIN. I have concluded that you are a true Mulligan. [Laughter.]

Senator KERR. Well, I am not going to accuse you of being a Millikin. [Laughter.]

Mr. MULLIGAN. I do not know but what that would be quite a compliment.

Senator MILLIKIN. But if you were, you would have to have three eyes with which to watch the Senator from Oklahoma.

Mr. MULLIGAN. You mean they are necessary? [Laughter.]

The CHAIRMAN. Thank you very much, Mr. Mulligan. Your prepared statement will be printed in the record at this point.

(The prepared statement follows:)

STATEMENT ON BEHALF OF THE PARTICIPANTS OF PUBLIC EMPLOYEE PENSION FUNDS OPERATING IN CHICAGO, COOK COUNTY, AND STATE OF ILLINOIS CONCERNING THE PROPOSED AMENDMENT TO THE SOCIAL SECURITY ACT AFFECTING PUBLIC EMPLOYEES

My name is George F. Mulligan, Jr., of Chicago, Ill.; a member of a retirement system of the city of Chicago. I appear before you as the spokesman for the participants of various pension funds for public employees, having a combined membership of more than 91,000 participants, operating in Chicago, Cook County, and the State of Illinois. The pension funds that I represent and their membership are as follows:

Municipal employees' annuity and benefit fund of Chicago	17,000
Policemen's annuity and benefit fund of Chicago	12,000
Cook County employees' annuity and benefit fund	12,000
Firemen's annuity and benefit fund of Chicago	6,000
Park employees' annuity and benefit fund	5,000
Teachers' pension and retirement fund of Chicago	17,000
Laborers' annuity and benefit fund of Chicago	3,000
Chicago sanitary district employees' annuity and benefit fund	2,000
Cook County forest preserve district annuity and benefit fund	400
House of Correction pension fund	125
Chicago Public Library pension fund	500
Park policemen's annuity and benefit fund	1,200
Court and law department annuity and benefit fund	1,000
Board of election commission employees, annuity and benefit fund	150
Illinois Police Association	10,000
Policemen's Benevolent and Protective Association	4,000
Total	91,375

All of these funds operate in accordance with recognized principles governing pension provisions for public employees. Their plans reflect the best and most modern policies in pension planning. Practically all funds embody a complete schedule of benefits, consisting of retirement annuities, widows' annuities, occupational and nonoccupational disability benefits, and death benefits.

The funds operate on a jointly contributory basis, with the employees contributing up to 6 percent of their salaries toward the cost of these provisions. Their combined assets at this time exceed $160,000,000. The funds are all sound and adequate, and are fulfilling most effectively the objectives for which they were established.

The participants of these funds are entirely satisfied with their present provisions and have no desire to be placed under any other form of plan, social security, or otherwise. The funds have established an enviable record during the period of their existence. The oldest of these funds has been in operation more than 75 years. All funds are developing satisfactorily and are constantly broadening their scope of activity.

The funds constitute an essential adjunct of a sound and realistic personnel policy in public administration in Illinois and have become established as an integral part of local government in our State.

The pending legislation, aiming at an extension of the old-age and survivors' insurance provisions to public employees, is being viewed with much alarm and apprehension by the employees covered by established retirement systems. The employees are not opposed to making social-security provisions available to those employees having no retirement coverage at this time, but are definitely opposed to any legislation providing for the extension of the Federal social-security program to employees having their own local pension funds. They view with considerable anxiety the proposal to "open the door" to their inclusion under the Federal social-security program. They are extremely fearful about the future security of their pension funds even though the legislation provided for in H. R. 6000 calls for optional participation on their part.

The employees are not unmindful of the possible consequences of legislation which would create a temptation to local taxpaying agencies and other taxpayers' pressure groups to attempt to shift the present pension obligations from the local governmental units to the Federal Government. Pressures of every conceivable kind would be used to bring about the termination of the present plans and their replacement by social-security benefits. The employees are extremely apprehensive about the continued operation of the local funds under conditions where social-security coverage, with the much lower and more restricted schedule of benefits, would be possible. They view the situation with the same misgivings as Federal employees who have built up large pension credits under the Federal civil-service retirement fund.

Many employees have large equities which have accumulated over a long period of faithful and conscientious service for the local governments. They have continued in the service of local governments largely because of the promises held out by these funds for their future security. They now fear that their accrued rights, equities, and pension expectancies would be placed in serious jeopardy by the adoption of the pending legislation. There would be no assurance that they would receive in future years the full amounts of pensions promised them under the present pension plans. They feel that the lower rates of contribution under the Federal social-security program would prove a great attraction to short-sighted public officials and selfishly motivated taxpaying organizations who would seize upon this legislation as an opportunity to relieve the local taxpayers of their rightful obligation. The employees, therefore, wish hereby to record their vigorous objection and opposition to the present proposal now under consideration by your committee.

There are many other compelling reasons of a specific character why this proposal is inimical to the interests of the covered public employees and would result in an impairment of their present pension equities, and these may briefly be summarized as follows:

1. Because a social-security coverage would impose an additional obligation on the local governments, it cannot be expected that the State and the local governments would approve the maintenance of both the local pension funds and social security. Naturally, preference for social security would be expressed because of the much lower contribution rates, even though these lower rates may be only temporary and subject to substantial increases in future years.

2. An adjustment of the local pension funds by a reduction in the rates of benefit and contributions to the extent of the benefits and contributions provided by social security is a development which also is highly questionable because this would mean the operation of two parallel plans with dual benefits and contributions. Such a plan of integration is hardly to be expected in public employment because its basic characteristics are entirely different from those relating to private industry. The same incentives that have prompted the establishment of supplementary plans by some industrial concerns do not exist in public administration. Such factors as the profit motive, the use of pension contributions as a tax deduction and the pressures from organized labor, are peculiar only to industry and are not found in the operation of government.

3. As has been pointed out, there is no assurance that integration between the local pension plan and social security would be approved. Public employees are not as favorably situated as employees of industry and cannot assert their rights to welfare provisions. They cannot, therefore, be assured of a supplementary plan as is contemplated by the sponsors of this legislation. Nor has it ever been demonstrated to the public employees that such integration could be effectively established for the public pension funds, without an increase in

costs to the local governments or a loss in equities or benefits to the employees. To date, no practical plan of integration for any of the public pension funds has been proposed or presented by the Federal agencies that have consistently advocated social security coverage of public employees.

4. The referendum provision now contained in H. R. 6000 is of little value to the public employees and is objectionable because of its many inherent weaknesses. It does not afford to the employees the protection that has been claimed by the sponsors of this provision.

The provision whereby a majority of those voting on the issue would commit the entire group cannot be considered adequate protection for those funds having substantially better benefits. Under this plan, it would be possible for employees with relatively short periods of service and who stand to lose little by the termination of the local plans, to vote a group into social security. Then, too, the employer could bring his influence to bear on this issue and force approval by a small minority of the employees. It is a common rule in reorganizations of industrial concerns involving a change in structure or a revision of basic policies, to require at least an 85-percent approval of the persons having a monetary interest in the unit to be reorganized. Yet the present proposal which would affect the vested interests of the employees calls for possible approval by a minority having only limited credits.

5. Finally, the local governmental units having sanctioned the creation of the local pension funds in former years and having assumed liabilities under these funds, might view this legislation as an opportunity to shift the obligation from the local to the Federal Government, since in many jurisdictions this obligation represents a substantial amount which under the existing plans is to be amortized over a period of years by means of periodic contributions.

For these and other reasons, the public employees now covered by local pension and retirement funds do not favor the present provisions of H. R. 6000. They have worked hard and for many years to develop their present pension plans and to achieve their present status, and certainly cannot approve any proposals aiming at the disintegration of the present funds and their ultimate termination. The employees are intimately familiar with local conditions and view this problem realistically. Therefore, public employees covered by established retirement systems request complete exclusion from the application of the social security law.

The groups which I represent do not oppose the extension of social security to those public employees who have no retirement systems of their own. This we want clearly understood.

We do, however, respectfully urge that in no event, and under no circumstances, that social security be extended, either separately or in addition to any public employee retirement system to cover group of public employees who have their own pension or retirement system, by whatever name known.

We feel that the extension of social security to cover these groups is opening the door to the eventual termination of public employee pension and retirement systems.

Both systems cannot exist at the same time and in the same locale, because the cost of both would be so high that civic bodies, reform groups, and taxpayers themselves would force the eventual abandonment of the local pension system.

The only adequate protection to employees, members of retirement systems, is complete and absolute exclusion. We, therefore, ask that H. R. 6000 be amended so that State and local public employees, who are covered by their own system, have complete and absolute exclusion. We respectfully urge that this committee amend H. R. 6000 so as to provide such complete and total exclusion. There is set up in this written statement, a suggested amendment.

We appreciate greatly the consideration that you have given us.

We respectfully request that H. R. 6000 be amended as follows:

1. In section 218 under definition strike out (C) of paragraph (5) (p. 80, line 19 through line 22).

2. In section 218 strike out (d) (1) (line 10, p. 82, through line 17, p. 83) and substitute:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

The CHAIRMAN. Miss Clara Friedman, of the Association of Retired Teachers of the City of New York, is the next witness.

Miss Friedman?

STATEMENT OF MISS CLARA FRIEDMAN, ASSOCIATION OF RETIRED TEACHERS OF THE CITY OF NEW YORK, INC.

Miss FRIEDMAN. I am Clara Friedman, and I am appearing on behalf of the New York City Association of Retired Teachers.

The CHAIRMAN. We will be very glad to hear you, Miss Friedman.

Miss FRIEDMAN. There has been a question about whether or not we were included in this H. R. 6000. And in order to protect our interests and to anticipate the fact that we might be included, my association has sent me here.

We realize that H. R. 6000, the bill, is permissive as far as it concerns public employees under existing pension systems. We consider this, however, dangerous to our interests.

The bill is not specific in this particular. It does not say whether a two-thirds affirmative vote of the entire group concerned is to be had, or of only those voting.

That is a statement that I have heard here from everyone who has testified.

There are over 9,400 pensioners in our New York City teachers pension system, plus about 40,000 persons in our system still actively employed. The retired teachers are now scattered over the United States, Canada, and other parts of the world. It would be almost impossible to gather a valid expression of opinion or written vote from all or even a large portion of this group. In addition this phase of the bill is largely technical. It would be rather difficult for the ordinary layman to make a decision and to bring out this point clearly.

When we were alerted to these hearings, we sent out a postal card to all pensioners asking them to contact their Senators, the two from New York, Senator Ives and Senator Lehman, asking them to vote for this amendment that was proposed here today. You would be surprised that from a group of highly intelligent people, as far as education goes, we had inquiries made from New Mexico, California, and other States: "Do you mean that we are going to protect the pensions of the Senators?" They didn't even grasp the fact that it was for themselves. I had, knowing how old some of our pensioners are, inserted the names of the two New York Senators, so that it would help them know to whom to write. That was the result.

Senator KERR. So that it would help the two Senators?

Miss FRIEDMAN. They wanted to know whether it was going to help the two Senators.

Senator KERR. Your consideration for the Senators is appreciated, That is very nice of you.

Miss FRIEDMAN. I do not think you need that protection.

In most States, the public employees of the villages and small towns, with smaller salaries and consequently smaller pensions, could outvote the public employees of the large cities who are receiving or will receive pensions somewhat consistent with the higher cost of living in those cities, and so have their benefits increased by a State-wide referendum of civil employees.

That would even be true of the various pension systems in New York State, because those in the small villages receive much smaller salaries than we in New York City. And, of course, their pensions are correspondingly smaller. Therefore social security for them might be a

good thing. But we feel, in our system, that we do not want to be included.

I do not see in the bill any statement that retired civil employees will receive the pension now provided by existing pension systems plus social-security additions.

Teacher retirement benefits are much higher than social-security benefits. If H. R. 6000 provides that social-security benefits be added to existing State or municipal retirement systems, there would be a double burden of contribution upon the public employee and the local taxpayer, both of whom would have to support the two systems. This double taxation would not be fair to either group. Many States and subdivisions thereof could not most likely afford to pay for their present retirement systems and social-security coverage.

In an industrial plant it is possible to get a valid vote of those employed. This is not so in the case where those already receiving pensions are scattered, along in years, not well informed, or unable to judge. I am talking about those that are quite advanced in years.

The National Educational Association's Council on Teacher Retirement has made a careful study of H. R. 6000 and is in favor of the amendment, as is the Pensioners Protective Association of America, Inc.

Now, a contract may be terminated by the State or Federal Government, after due notice, and the public employees covered by it would then have lost their retirement equities and be out in the cold.

We in New York City have a contract with the city, and the only way in which it can be changed is by a referendum to the voters at large; not only those in the system. So that that two-thirds vote would be at a general election on the referendum, and would not be sent only to those who are already in the system.

As to our New York City pension plan, the reason we want to keep it is this:

After 6 months' service the system carries both insurance and death benefits. The city pays 5 percent for each year of service and a return of contributions compounded at 4 percent interest. This is not to be had under social security.

Disability pensions can be had after 10 years of service at one-fifth of the salary, plus an annuity which the contributions can buy.

A teacher may retire after 35 years of service on demand; and I am one of these. I didn't wait until I was 65, as social security provides, but I retired promptly at the end of my thirty-fifth year of service. And I would hate to think that I would be in the system today under conditions that prevail.

A pensioner may select one of four options on retirement. He may take the entire monthly pension that he is entitled to, which, for the present teachers, is one-half. He may take a lesser amount, and, if he should be deceased within 2 months or more after retirement, the amount left in the reserve for him would go to a beneficiary. He may also select an option whereby he would take a smaller pension and the beneficiary would be provided for for life.

Now, those are not benefits that we would get under social security, and for that reason we ask that you put in this amendment to section 218 (d) (1) that was read here before, such agreement to exclude all public employees in positions covered by retirement systems.

The CHAIRMAN. Thank you very much.
Are there any questions?
Senator MILLIKIN. Mr. Chairman?
The CHAIRMAN. Yes, Senator.
Senator MILLIKIN. Miss Friedman, when the folks under these retirement systems retire, they set up a definite way of life in anticipation of the continuance of the benefits of the system under which they have been, do they not?
Miss FRIEDMAN. Well, they do that while they are in the system; not after they retire.
Senator MILLIKIN. It is after you retire that you enjoy the benefits, is it not?
Miss FRIEDMAN. True. But you provide for those benefits while you are in the system.
Senator MILLIKIN. I think I did not make myself clear. What I am trying to develop, if I am correct, is that it would be a very unfair thing after a policy has matured, after these retired teachers are enjoying the fruits of their contributions and long service, and after they have set up for themselves a way of life dependent upon continuing to receive those benefits, in the form in which they would be received, in the way defined at the time they were contributing—it would be a very unfair thing to change their ways of life and to fill them with the apprehensions that might flow from bringing them into another system entirely. Is that not correct?
Miss FRIEDMAN. That is right. And there was another thing in the bill which had us worried. It reads that after you went into social security the State or subdivision thereof that was not satisfied and wished to withdraw could do so after 1 year, but the funds would not be returnable for 5 years.
Now, where would the pensioners be?
Senator MILLIKIN. I was just thinking of the humanity questions involved and the fairness questions involved and the avoidance of the disturbance of people who figure they are going to get something under a definite plan and find out that they may not get as much, or, even if they get as much, that it would be under a different plan, which they might not fully comprehend.
Miss FRIEDMAN. Don't you see, our city cannot spend the moneys that we have in our pension fund. The moneys are not used for current expenses of city government. The funds are administered entirely by our retirement board which is quite distinct from our city government. The board is made up of the city comptroller, a member of the board of education, and three teachers.
Senator MILLIKIN. Those moneys are not spent for general revenue purposes, are they?
Miss FRIEDMAN. Oh, no. And the only ones that can spend or invest them are the members of the retirement board.
Senator MILLIKIN. Miss Friedman, I just want to ask the chairman to indulge me for a moment of nostalgia. Away back in 1819 there were some great men on the scene around here. There was a fellow by the name of John Marshall on the Supreme Court of the United States. There was a fellow by the name of Daniel Webster who was in the Senate. And there arose a famous case called the Trustees of Dartmouth College versus Woodward. Senator Kerr studied that

case when he was in law school. The chairman of this committee, probably as great a lawyer as ever sat in the Senate, as well; it was a basic part of his education, and of that of Senator Martin. And I also was vaccinated, though I am not sure it took; I studied it, too. I will just read from the syllabus of that case, which says:

The charter granted by the British Crown to the Trustees of Dartmouth College, New Hampshire, in the year 1769 is a contract within the meaning of the clause of the Constitution of the United States, Article 1, Section 10, which declares that no State shall make any law impairing the obligation of contracts. The charter was not dissolved by the Revolution. An act of the State Legislature of New Hampshire altering the charter without the consent of the Corporation in a material respect is an act impairing the operation of the charter and is unconstitutional and void. Under its charter, Dartmouth College was a private and not a public corporation. That a corporation is established for the purposes of general charity or for education generally does not per se make it a public corporation liable to the control of the Legislature.

And there is much in this opinion that has some reference to the status of a school teacher or a fireman in this particular kind of a fund. The reason I said I was indulging in nostalgia: Many changes have occurred in our constitutional conceptions since this great landmark decision was reached by the Supreme Court of the United States, and since the bones of Webster and those great men started moldering in the grave. But it does not do any harm for us to turn back, once in a while, and think about the sanctity of contracts. And it is my suggestion that every teacher in one of these State systems has a contract which should not be impaired.

Miss FRIEDMAN. Thank you; I agree.

Senator MARTIN. Mr. Chairman, might I ask a question?

The CHAIRMAN. Yes; Senator Martin.

Senator MARTIN. What percentage of your salaries do you contribute to this fund?

Miss FRIEDMAN. That all depends. I happen to have started in the system that went defunct when we were paying 1 percent of our salaries. And in 1917 a new pension system was installed. Those teachers who were in the system at that time had an option of either paying a percentage worked out by the actuary which would bring them a yearly pension of 50 percent of their salaries or paying 3 percent in order not to make it hard for those who were in the service for a very long period. This brought a proportionate pension. Now, I personally chose the 3 percent, although I was quite a young teacher at the time. And I retired on 42 percent of my salary, which at that time was close to $4,000.

Senator MARTIN. How long has your fund been in existence?

Miss FRIEDMAN. This new one? Since 1917. That is 33 years.

Senator MARTIN. Is your fund actuarially sound?

Miss FRIEDMAN. Yes. We have over $400,000,000 in that fund, and the city must contribute over a million each year for the teachers who are now in the service.

Senator MARTIN. How are the trustees of this fund selected?

Miss FRIEDMAN. Well, now, that brings up a very interesting question, because it isn't a matter of a two-thirds vote. According to our constitution, on the second Thursday in May the teachers must meet in their individual schools to select by ballot a delegate to the school district. There are 46 districts. Now, when the delegates get to the district meeting—and most of them are instructed on how they are

to vote—they select a district delegate and alternate. The district delegates then appear at the board of education and there elect the member of the retirement board. Each year one member is elected to serve 3 years. There are three teacher members, the city comptroller, and one member of the board of education.

Senator MARTIN. The city or school district does not select any of them? It is all done by the teachers?

Miss FRIEDMAN. It is all done by the teachers. A school district in New York City is made up of all the schools in the physical lay-out.

Senator MARTIN. Thank you very much.

The CHAIRMAN. We thank you for your appearance, Miss Friedman.

Miss FRIEDMAN. Thank you.

The CHAIRMAN. Mr. McLaughlin? You may be seated and identify yourself, please, for the record.

STATEMENT OF ALBERT J. E. McLAUGHLIN, EXECUTIVE VICE PRESIDENT, PENSIONERS PROTECTIVE ASSOCIATION OF AMERICA, INC.

Mr. McLAUGHLIN. I am Albert J. E. McLaughlin, an employee of the Board of Education of the City of New York, executive vice president and treasurer of the Pensioners Protective Association of America, Inc., and a member of the High School Teachers Association's Legislative Committee of the City of New York.

I have asked for the opportunity to appear before you in behalf of our association at your hearings on revision of title II of the Social Security Act, relating to old-age and survivors insurance, as presented in the bill, H. R. 6000.

Our association has affiliated with it 312 national—Federal, State, county, city, and municipal employee-workers—civil-service associations, organizations, and retired Government groups, existing in 31 States of the Nation.

Our association came into being in 1940 and was incorporated under the laws of the State of New York in 1944. From its inception, it has had but two objects: (*a*) to prevent pensions and retirements annuities from being impaired or reduced during the lifetime of the recipient; (*b*) the preservation and improvement of retirement systems and benefits for public employees.

We have grown and expanded ever since Congress passed the public salary tax in 1939 under which pensions and retirement annuities payable to retired Government employees were taxed for the first time by the United States Government.

It is the sense of this association that it takes no position on any pending legislation in the Congress of the United States, except insofar as the same may tend to diminish, defeat, or impair the interests, present or future, of any public employee in any existing pension system, or benefits therefrom.

We wholeheartedly agree and concur in the remarks presented to you by the representatives of the other Government employee groups and associations.

As a participating member and contributor myself in the teachers' retirement system of the city of New York since 1927, and interested in legislative work pertaining to pension and retirement systems, I

come in contact with hundreds of duly elected representatives of public retirement systems, line organizations of Government employees, and trustees of public pension systems, and from this general contact, I can speak as to their expressions of the wishes of their membership constituents in this field.

Increasingly in recent years the public employee has been more and more of a career man in all levels above the per diem employee. One of the attractions held out to him by the public employer has been the public employee retirement system. Originally these were on a local basis, but States have rapidly been setting the plans up on a State-wide basis; 18 new ones since 1939, 10 of these since 1944. There are now 30 State-wide systems and one in the Territory of Hawaii. Only two of these, Iowa and North Dakota, are modeled on the plan of the Social Security Act of 1940; all the others offer larger benefits to the employee at age of retirement which, in many of them, may be earlier than age 65, in fact 55 in some States.

Teachers, as a class, will find that every State in the Union has a State-wide retirement system, while there are many local systems for the local employees, workers in hundreds of cities, counties, and other political subdivisions. In most cases, these have plans which the members prefer to that set up by the Social Security Act.

We are opposed to the extension of social-security coverage to public employees; policemen, firemen, teachers, highway workers, post-office clerks, letter carriers, Army workers, and navy yard workers, librarians, court personnel, and so forth, who are members of or eligible for membership in any Federal, State, county, or municipal retirement system, because we earnestly believe such coverage would injure, not benefit, the public employee.

The local taxpayer will not stand for supporting both systems, nor is it economical or fair or just to expect him to do so. Likewise, the superimposing of social-security coverage upon the retirement plans would impose a double burden of contribution upon the public employees, who are at the present time underpaid in many States. The forcing of public employees under social-security coverage, inevitably would lead to the destruction of their own local pension retirement systems, regardless of the Federal-State agreement as to coverage.

Specific objections to social security: I shall now take up the specific reasons why public employees are not favorable to coverage by the Federal Social Security Act. In presenting these reasons I shall be dealing primarily with the present social-security law which is a reality, not a proposal.

(1) Present public retirement systems in the States and subdivisions thereof are adequate to provide for their employees.

(2) The benefits under the typical retirement plan for death, disability, old-age, and survivorship are better adapted to the needs of the public employees than the benefits under the Social Security Act which was set up for industrial workers.

(3) Public employees know that their legislative representatives can more readily adjust the provisions of their present retirement plans to changing economical, social, and financial needs through local and State action than they can the Federal plan which is less accessible for adjustment legislation.

(4) Public employees have grave doubts that many States and subdivisions thereof can afford to have both, present retirement sys-

tems and social security coverage, without affecting their salaries or impairing public services.

Now as to H. R. 6000, all that has been said applies; besides—

(*a*) The proposals under this bill as to contribution costs contemplate an increasing cost to the individual as the years go by, thus imposing a real hardship on public employees who now belong to a retirement system, as two deductions must be made from his salary.

(*b*) The proposed higher benefits under this bill would not exceed those paid by public retirement systems—Federal or State.

(*c*) We recommend that public employees covered by a State or subdivision thereof retirement system should be excluded from the bill H. R. 6000 as suggested in H. R. 2893 and in H. R. 447 introduced by Congressman Kean. All types of public employees should be excluded under this bill H. R. 6000, not only Federal workers who are now covered by a retirement plan.

Gentlemen, public employees do not wish to interpose any objections to the extension of social-security coverage or benefits to those not so well covered and protected as they are under public retirement systems, but they most respectfully pray and ask that they be excluded from coverage and be permitted to remain undisturbed in their present contractual rights and expectations that they now enjoy and that they may continue to look forward to an age of retirement under a protected public retirement system.

Should this committee consider recommending an amendment of the Social Security Act with respect to coverage for public employees, we respectfully urge that, in justice and fairness to those public employees who now enjoy the protection of their local retirement systems, H. R. 6000 be amended as follows:

Proposed amendment to section 106 of H. R. 6000: Strike out section 218 (d) (1) (beginning with line 10, page 82, to and including line 17, page 83) and substitute therefor the following paragraph:

(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section.

This, gentlemen, we believe to be a most fair and reasonable request on behalf of more than a million public employees now enjoying the benefits of their local retirement systems. They wish to interpose no objection or hindrance to the extension of social-security benefits to those not so well protected as they are, but they most respectfully ask that they be permitted to remain undisturbed in their present rights and expectations, that they may confidently continue to look forward to an old age covered and protected to the degree that they have based their own plans for the future upon.

This expectation takes nothing from any group, deprives no one else of social-security benefits. We ask, gentlemen, that you therefore exclude all of us now protected as the House of Representatives in H. R. 2893, to exclude the firemen, police, and Federal civil-service employees. We feel it will be fair and just to place the other protected public employees in the same category with them.

We also endorse the amendment which Senator Lehman from New York introduced in the Senate on January 30, on the exclusion of all public employees' pension systems from social security.

The CHAIRMAN. Are there any questions?

Senator MARTIN. Mr. Chairman, may I ask:

Do you have any information as to the number that are in more than one system in the United States?

Mr. MCLAUGHLIN. Government employees in more than one system?

Senator MARTIN. Yes.

Mr. MCLAUGHLIN. Very rarely can a public employee hold down more than one job at the same time; it would be illegal.

Senator MARTIN. Take, for example, the Pennsylvania State Police. They have a system of their own, and they also enter the retirement system of the general employees of the Commonwealth of Pennsylvania. That means they make two contributions. And I wondered whether there was much practice of that kind.

Mr. MCLAUGHLIN. Not that I know of. We do have cases where a person retires from a city job and takes a Federal job and then becomes a contributor in the Federal retirement system.

The CHAIRMAN. Thank you very much, Mr. McLaughlin, for your appearance.

Mr. MCLAUGHLIN. Thank you, sir.

The CHAIRMAN. Mrs. Justina Hunt? You may be seated, Mrs. Hunt. You appear on behalf of the New Jersey Civil Service Association, Council No. 8, of Union Township, N. J.?

STATEMENT OF MRS. JUSTINA M. HUNT, UNION, N. J., APPEARING ON BEHALF OF UNION COUNCIL NO. 8, NEW JERSEY CIVIL SERVICE ASSOCIATION

Mrs. HUNT. That is correct, Senator.

The CHAIRMAN. We will be very glad to hear you.

Mrs. HUNT. Mr. Chairman and members of the Committee on Finance, I am Justina M. Hunt, of 51 Elmwood Avenue, Union, N. J. I am library director of the Township of Union Free Public Library. I am a member of the New Jersey State retirement fund. Today I represent Union Council No. 8 of the New Jersey Civil Service Association, which is a member of the National Conference on Public Employee Retirement Systems. I am chairman of the pension committee of Union council, which is composed of many hundreds of State, county, and municipal employees.

It is the wish of these members of Union council that I convey to you, the honorable members of the Committee on Finance, the following statement:

These State, county, and municipal employees are all enjoying the privileges of a sound pension system, which has been built up through their own efforts, time, and moneys, aided by contributions by their employers as provided by law over a period of years, to a point where a feeling of mutual understanding now exists that, under the present management, sound security has been established for themselves and their dependents.

Under our present retirement systems in New Jersey, provisions include benefits to widows and minor dependent children as well as a generous retirement annuity to all annuitants under the retirement system.

While we do not deny that there is a need of protection by way of social-security legislation for those persons now without pension pro-

tection, we, the members of existing pension systems, wish to remain apart from such coverage as is now proposed.

We want no part of the social security. Once we are under the jurisdiction of the Social Security Agency, we are fearful that our present formula for arriving at annuities for retiring employees and the benefits to widows and children will be completely revised and reductions will be forthcoming.

We feel that a system of pensions which has been built up with hard work, patience, and personal sacrifice should be allowed to endure without the constant fear that by a two-thirds vote of the majority of new as well as old members, the security now enjoyed may be changed to a position of definite uncertainty as now proposed in the present bill.

This constant fear and concern in the minds of members of the existing public employee pension groups in the years ahead would tend to lower their morale and undoubtedly result in less interest and efficiency in their respective positions.

For the foregoing reasons as expressed by the hundreds of State, county, and municipal employees, as members of Union Council No. 8 of the New Jersey Civil Service Association, I respectfully request and strongly urge that in the final consideration of this act; namely, H. R. 6000, the complete exclusion of the present existing public employees pension systems from coverage by social security should be considered as proposed by the National Conference on Public Employee Retirement Systems.

The CHAIRMAN. Any questions, Senators?

Thank you very much for your appearance, Mrs. Hunt.

Mrs. HUNT. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Francis Bosworth? Will you please identify yourself for the record, Mr. Bosworth?

STATEMENT OF FRANCIS BOSWORTH, EXECUTIVE DIRECTOR, FRIENDS NEIGHBORHOOD GUILD, PHILADELPHIA, PA., AND PRESIDENT, PHILADELPHIA ASSOCIATION OF SETTLEMENTS AND NEIGHBORHOOD CENTERS

Mr. BOSWORTH. Yes, Senator. I am Francis Bosworth, and I am here before this committee representing the board of directors of the National Federation of Settlements, the Philadelphia Association of Settlements and Neighborhood Centers, and the Philadelphia Chapter, American Association of Social Workers.

Our concern as settlements is grounded in our intimate knowledge of 260 American neighborhoods, the majority in the most overcrowded and depressed areas of our cities. We have the confidence of these people because we have confidence in them as people, and this testimony is based upon our knowledge of human needs impressed upon us day and night, year after year. We wish to affirm much that is fine in H. R. 6000 and we wish to point out inequalities that should be changed if the bill is to reflect the knowledge we have all gained in the past 15 years since the initial act became law.

The settlement houses of America exist because they believe they can help the people of our country achieve security; that is, security in their relations to one another and security against severe physical privation and want. We also believe that these people, the majority

of them living on marginal incomes, can invest cash equity in their own and their neighbors' security during their earning years. This principle was enunciated as national policy in 1935, when the Social Security Act became law. The 1935 law was an historic beginning in our effort to assume minimum corporate responsibility, but it was only a beginning. We are pleased that the Eighty-first Congress is preparing to take the second big step, and H. R. 6000 can be a remarkable achievement in our social and political history.

Russell W. Ballard, director of Hull House in Chicago, gave the testimony of the National Federation of Settlements regarding the child-welfare provisions of the bill. Also, Sidney Hollander, of Baltimore, gave the testimony on behalf of 24 member organizations of the National Social Welfare Assembly, of which we are one, urging the inclusion of employees of nonprofit organizations. In conclusion he said:

> Although the bill before you goes less far than some organizations feel it should, all support its provisions for coverage of nonprofit employees as the best common denominator for the solution of their problems.

We are one of those organizations who believes this bill does not go far enough to insure minimum security.

I shall confine the body of my testimony to the needs of our families and the minimum security essential to preserve family life, and especially to the needs of our older citizens. Friends Neighborhood Guild, like most of our settlements, is a family center, and much of our work is focused upon strengthening the fiber of family living. I am also the director of Friends House for Older Neighbors, which is the only settlement house, to my knowledge, existing solely for persons 65 and over.

The most our settlement neighbors can ever hope to achieve is to live on current earnings. Voluntary savings are small and never reach the enviable state of security for old age or against the loss of the family wage earner, unless the Government is the collector and trustee of these savings and their employers are partners in the security of their workers.

Our latter years should be a time of peace and leisure which should profit the Nation. One should be able to look forward to a minimum cash dividend which would render each individual free to manage his own life in dignity. But this is not true today, first, because there is neither security nor dignity in the present old-age benefits, and because nearly half of all civilian jobs are excluded from coverage, which means these wage earners are excluded entirely from participating in the benefits, although they help to pay the bill indirectly as consumers and directly as taxpayers.

The aged are the most rapidly growing segment of our population. Science and education have given years to our life, but there has been little attempt to give life to years. Industry reaches out for youth and the worker of mature years is pushed out to make room for youth. The United States Department of Commerce studies indicate that for men from 40 to 64 years of age and women from 35 to 60 employment opportunities are of prime concern rather than the provision of retirement benefits. This means that whatever savings are accumulated are often gone before the arbitrary age of 65 is reached.

Planning for retirement should be an exciting adventure instead of the haunting fear of a world of loneliness, poverty, and neglect.

Mr. Summers came to me the other day to ask if I could help him find a job. He has been active on our House Council and was always called upon regarding financial matters. Mr. Summers was a bank teller. He began working in the bank in the year 1900 as a runner and was finally made a teller. He married and reared two children. The son died shortly after he was married. The daughter is married and she and her husband live in Chicago and have children of their own, but there is no margin of income for grandfather. Mrs. Summers lived through 12 years of painful invalidism which drained their little nestegg. Ten days before Christmas and 6 months short of 56 years of labor, Mr. Summers was retired from the bank to live on his social-security grant of $41.80 a month. How much longer must Mr. Summers work before he can be allowed to retire in dignity?

Mr. Adams comes to Friends House for Old Neighbors where he works in the wood shop and belongs to the elder's forum. He was a machinist but the depression wiped away all his savings. Relief and the WPA carried him until he got a job as a machinist at the navy yard. But he was not covered by social security as he was in the large army of the unprotected. In 1944 he changed his job in order to be covered by social security. He was 65 at that time and asked his employer if he could have 5 percent instead of only 1 percent of his pay deducted for social security in order to secure past benefits. Of course, this was impossible. Four years later he was forced to retire and now lives on $22.42 a month. Mr. Adams is bitter but he is active. He is an officer in the Townsend Club and is as politically active as our local ward leader. But, unfortunately, there is only one plank in his platform.

Many of our aged were never covered by social security yet have small savings accounts. They live on one meal a day and deprive themselves of medical care and even fuel rather than go on relief, and give up all possibilities of such meager employement as they may have. Many of these people were domestics, laborers employed by the city, or by city contractors, maintenance and service workers in schools and hospitals, self-employed people such as trash and junk haulers, handymen, a shoemaker, a keymaker, and "the man who ran the little candy store across the street." These people cannot understand why their labor was not considered worthy of a security partnership.

It was difficult, for instance, for Adam Clark to understand why he could not participate in an equity security as well as his brother, George. Adam was an elevator operator in a large hospital and his brother was an elevator operator in an office building. The only difference was that Adam worked longer hours a week, he worked every Sunday and 2 nights a week, and he got less money than George. He used to think it was fine to be working for a hospital, it made him feel he was doing something important. But now that he must spend the last years of his life on relief, he is not so sure. He can't understand why the hospital and his Government should not care nor be willing to invest in his old age.

There are other Adams who were employed in past years by settlements as well as hospitals. Our own board of directors at Friends

Neighborhood Guild became so concerned about this problem that section 24 of our code of personnel and employment practices states:

> The guild is a member of the National Health and Welfare Retirement plan to provide maximum protection during the period of employment and at the time of retirement. Every worker must join the plan at the end of the first full year of service. The guild is equally desirous of having workers covered by extended social security benefits and that the agency participate fully in such a social-security program and, if possible, that this be in addition to the full benefits now carried under the National Health and Welfare Retirement plan. (Adopted December 1946.)

Other settlement boards of directors have taken similar action and the National Federation of Settlements and Neighborhood Centers has repeatedly gone on record since 1935 urging full social-security benefits for workers in nonprofit agencies. In this I point out that we go beyond the recommendations made to you by Mr. Hollander on Tuesday. We do agree with Mr. Arthur J. Altmeyer that the same benefits should be available to employees of nonprofit agencies as any other employees, and that nonprofit agency employers should not receive preferential treatment. We trust that the Senate will assist these institutions in fulfilling their stated humanitarian purposes for their employees as well as their clients, and to prevent their employees from becoming their future clients.

Our recommendations then are summed up as follows:

We are in agreement with the recommendations of the Advisory Council on Social Security to the Senate Committee on Finance and with to underscore these provisions:

Old-age and survivors insurance: Extension of social insurance to the entire working population and their dependents. This includes farmers and domestics as well as employees of all tax-exempt institutions. Just as we wish social-security benefits to be entirely democratic for all workers, so do we believe all employers should stand equal before the law.

Eligibility: Adoption of the new start provisions whereby newcomers could be eligible after 6 quarters. One of our most baffling and acute problems could be eliminated by wiping out the residence clause for general assistance and limiting all other assistance categories to a maximum period of 1 year's residence.

Medical care and disability: Protect people against loss of earnings due to permanent and total disability and extend and enrich the health and auxiliary services provided by public agencies.

Child welfare and aid to dependent children: We urge the Advisory Council's recommendation of $12,000,000 as a minimum grant for child welfare services. We believe the $7,000,000 of H. R. 6000 to be grossly inadequate. Also, liberalize ADC provisions to include aid to unemployed fathers or other adult relatives in the family who are essential to the well-being of the children.

These recommendations are based upon the basic needs of people as we know them and will go far to free our retired workers and their families, our widows and orphans of deceased workers, and our neglected children from suffering undue privation. But we trust that the enactment of this bill will in no way interfere with the long-range attacks on the root causes of our economic insecurity.

I would like permission to submit for inclusion in the record resolutions passed by the National Federation of Settlements and Neighbor-

hood Centers on social security and several case stories from Friends Neighborhood Guild, which illustrate other economic problems of the aged.

The CHAIRMAN. Thank you very much.

Are there any questions?

Thank you very much, Mr. Bosworth.

(The material filed by Mr. Bosworth is as follows:)

RESOLUTIONS ON SOCIAL SECURITY ADOPTED BY THE NATIONAL FEDERATION OF SETTLEMENTS AND NEIGHBORHOOD CENTERS, NEW YORK, N. Y.

RESOLUTIONS ADOPTED BY THE BOARD OF DIRECTORS, WASHINGTON, D. C., FEBRUARY 4 AND 5, 1940

Social security

Our social-security system was adopted in the midst of the hard times as a masterly stroke to undergird our democracy. There is no excuse for our failure to extend its protection to cover all workers and their families, rural no less than urban, including those engaged in nonprofit agencies.

RESOLUTIONS ADOPTED BY THE DELEGATE BODY AT THE ANNUAL BUSINESS MEETING, JUNE 11, 1940, CLEVELAND, OHIO

Child welfare

The National Federation of Settlements has always concerned itself with the welfare of children. This social agency in 1940 insists that every child shall be protected from the hazards that seek to deprive him of an equal chance in a free society. The delinquent and neglected child is more likely to become the maladjusted youth and adult.

In only 600 counties among the more than 3,000 counties in the United States is there one or more child welfare worker paid from public funds to serve the dependent child and the child in danger of becoming delinquent.

H. R. 2892, section 1406-B, now pending before the Ways and Means Committee, House of Representatives, provides for an appropriation of $12,000,000 to extend child-welfare services. It is not only appropriate but obligatory to actively support this appropriation: Therefore, be it

Resolved, That the National Federation of Settlements go on record in support of the afore-mentioned legislation.

RESOLUTIONS ADOPTED BY THE DELEGATE BODY AT THE ANNUAL BUSINESS MEETING, APRIL 20, 1948, ATLANTIC CITY, N. J.

Social security

The National Federation of Settlements reaffirms its position in support of extending National and State legislation to include social insurance of all workers and their dependents not now covered, and to liberalize the benefits to the extent necessary to afford genuine security.

(Action also in 1947, 1945, 1944, 1943, 1938.)

(From the Newsletter On Economic Problems, issued five times a year by the Committee on Economic Problems, of Friends' General Conference, Philadelphia, Pa., April 1948)

COMMUNITY PLANNING AND THE AGED

"How we treat our old people is a crucial test of our national quality. A nation that lacks gratitude to those who have honestly worked for her in the past while they had the strength to do so, does not deserve a future, for she has lost her sense of justice and her instinct of mercy."—David Lloyd George

I. THE PEOPLE

Karl Englehardt was 10 years old when he came to America. The boat docked in Philadelphia and he has never lived far from the water front. Karl worked hard at many jobs for 55 years. He was a good workman. He poured his strength and his years into the fabric of America. Karl began work the first day, carrying cargo into the holds of ships. He dug the red clay for watermains

and sewers, he helped erect the poles for electric wires, he hauled lumber for homes and bags of cement for the Delaware River bridge. Later he ran a freight elevator, then he was night watchman in a warehouse. At last he had no more heart or muscle to invest and he was set aside.

During these years he had married and had three children, John, Elsie, and Grover, all good American names. The children started to work young, started families young and moved on. An occasional letter or Christmas card drifted back to Rodine Street from Chicago or Detroit. There was the time Grover's wife needed $300 for an operation. Then the letter telling of Elsie's death. Gradually the letters and cards stopped. The boys were too caught up in the problems of the living—they meant to write.

Karl survived illness, unemployment, panics, depressions, and finally, his wife. Those 2 years Christine was dying gnawed deeply into their life savings. Now there was no one to clean and sew, to cook pot roast and noodles and make good strong clear coffee. There was no one to talk with, to help to pass the hours reconstructing a house of memories together, each fitting in pieces, adding little half-told and secret parts no stranger would understand.

Anyway, Karl had always been a family man; they never had many friends and most of these were gone. It was hard to go out, too. For the past 6 years now his legs were often swollen and gave him great pain. Sometimes the fire in the little coal stove went out because he couldn't move enough to put in the coal. He had given up trying to cook. At first he would try to recall how Christine fixed a particular dish but he couldn't remember.

He now lives on old-age assistance, $41 a month. He manages. He does not expect much of what little time is left. He sits in his chair by the stove bundled up in his old overcoat, rocking, smoking his pipe, and waiting. Beside him is a kerosene lamp. He seldom bothers to light it any more.

Susie Stoner was 75 years old last month. She lives alone in a little band box house in a court on American Street. Her home is spotless. There is not a trace of dirt or dust anywhere. Susie has put clean pieces of cardboard over the linoleum to keep it from wearing out. There's one by the door, another by the stove, and one in front of her rocking chair. Every morning she picks up her house and follows the routine of more than half a century. Monday she washes, Tuesday she irons, Friday she cleans, and every day she does all the little chores to put her house in order. Then she washes, brushes her hair and puts on a large fresh white apron. Susie was born in Virginia and when she was a girl her father used to tell her stories of The Big War. Her father and mother had been slaves and her father fought in the Confederate Army.

The Wheelers, that's the family for whom Susie worked, moved North to Philadelphia when Susie was only 16 and they brought her along. Soon she was the cook, and so she remained until just a few years ago. The only family she had ever had since she was 16 was in the houses where she worked. She nursed them in sickness and rejoiced in their good fortunes. And she saved her money. Now her work is over and she sits in her rocking chair and tells herself how happy she should be—no long hot hours in the kitchen, she is her own mistress at last, her funeral is paid for and she will never have to eat "charity bread." Her little hoard will last her through the remaining years.

But Susie knows she isn't happy. She endures long days and nights of loneliness and nothing seems to make a difference. Sometimes she will cook herself a real Sunday dinner, but not often. It was fun, at first, planning and cooking, but somehow she never cared about eating it. Once in a while she makes cookies and gives them to children in the court. But they never ask her to tell them stories, just take the cookies and run away.

As she sits in her chair she takes "the paper" out of her Bible for the hundredth time. There it is all made out, the application for "The Home." She doesn't really need anyone to take care of her. There are lots of things she knows she isn't going to like. But there will be other people there. Someone to talk to—sit near—hear them moving around. Of course, some of her present neighbors are old folks like herself. She sees them on the street and in the store, but it is hard to just start talking to strangers. If only one of them would talk first. But they just glance sideways as she does.

Should she mail the letter now, today? Would it take away the long shadows of loneliness? She looks around her rooms and wonders.

Ion Sarkov knew he was ill. He was dizzy, his throat burned and the thought of food nauseated him. He became frightened and took a trolley to the hospital. They examined him in the emergency ward and told him they would give him some medicine and he could come to the clinic if he weren't better. The medicine

would cost a dollar. Mr. Sarkov didn't have a dollar. He didn't even have carfare home. He walked. He doesn't remember how long it took him to reach his basement room.

Harry Moore and his wife, Margaret, used to live in rear 3 in an alley off Noble Street. After their savings were gone they applied for relief but they had come from Camden less than a year ago and were not eligible. They tried to get old-age assistance but they couldn't prove their citizenship. They were both brought from Ireland as children and they had always thought they were citizens. They voted. But they couldn't prove it.

Mr. Moore had a little tray of shoe laces and notions to sell but no matter how little they ate they couldn't pay the $8 rent each month. They would sit in St. Agnes Church for hours. Sometimes they would pray but mostly they just sat in a pew by the radiator. One day they came home and found a different padlock on their door, a strong new one, and a sign "For Rent." Their few possessions were inside but they were ashamed to go to the agent. They owed him $14.

II. . . . AND THE COMMUNITY

These four people are real. They are guild members and belong to either the Willing Workers or the Old Timers Clubs. They are but four of the 177,000[1] old people of the Philadelphia area of whom 102,000[1] are living alone or in rooming houses. They are but 4 of 10,000,000 old people in the United States, the most rapidly growing section of our population. I have selected these specific problems because all of them could have been met through the services of existing agencies. But the majority were not.

Most of the aged are haunted by the fears of the discarded and the dispossessed. They are both inarticulate and unknowing of the resources open to them. The community, in turn, has expended small concern upon its older citizens. Our agencies are only beginning to reexamine their function in terms of rendering service to this group and acquainting people with existing available resources. If a child is locked out of his home in winter or a stray animal is in pain, people everywhere know how to get effective action. The neighbors, the police, the stranger passing by are all conscious of the community's responsibilities and know of the existing agencies for child welfare and cruelty to animals.

But when an old couple are locked out of their house, people say: "That can't be right." "Is it legal?" "Something ought to be done."

But they don't know what to do or whom to call. Then, too, the see the child, they hear the dog, but they pass the aged by.

III. A COMMUNITY PLAN

Planning for the aged should be one of the most exciting and satisfying adventures in social welfare. We seldom need start anew but we must examine our existing community facilities with vision and imagination. We must also discard many of our current misconceptions.

This is also a fruitful field of service for an unlimited number of volunteers, people of ability and concern. A volunteer could give as little as one afternoon a month calling on women like Susie Stoner. Someone else could visit Karl Englehardt once a week to teach him how to cook and care for his house. Women's clubs and Bible school classes could have lists of lonely old folks and send them cards on their birthdays, or a small gift at Easter and Christmas or Yom Kippur. An auto ride in the country or a picnic can give old folks a crowded month of happy memories. Some get about with difficulty and a housekeeping aide once a week could make the difference between happiness and wretchedness. Visitors can be chosen according to their cultural backgrounds and interests: the person who will enjoy talking to the elderly Ukranian or Scot, the silversmith, or circus performer.

We have two clubs for old folks at Friends Neighborhood Guild and a waiting list for a third. We offer them nothing material and nothing spectacular, yet we have seen them come in storms and bitter cold; we have seen them come alone and go home with a friend; we have seen them grow younger in the warm comfort of belonging. A letter, a little remembrance or a surprise—above all, a friend—these are the fabrics of happiness.

There should be a number of small social settlements for the aged. A sunny first floor room of the parish house, the community center or the school would

[1] The Problems of the Aged, a thesis from Carola Woerishoffer, Graduate Department of Social Economy and Social Research, Bryn Mawr College, May 1, 1947.

be ideal. There they can have facilities for doing things for themselves, an ironing board, sewing materials, a wood shop for the men. It can be a reading room, a music room, a club where they can enjoy the companionship of their contemporaries—but, if possible, with a window to look out on the children playing and people passing in the street. While many of these can be under lay supervision we shall also want day-care centers for some of the aged where they may receive specialized services. We must also develop standards of foster home placement for our older citizens. Hospitals and health centers should have geriatric and geriatric clinics and a counselor who will know the full resources the neighborhood has to offer. Housing projects should always include small units for elderly tenants. Day school extension classes, even camping are rich possibilities of service to this group.

We must also explore how these people may continue to render service to the community through old skills and those they can acquire. Industrial management must restudy their operation and set aside tasks which may be done more slowly and by workers who need only come for a part of each day. Unions, too, must recognize their responsibilities to work out lower hourly rates for their senior members.

Management, labor, the church, social work, medicine, law, and education, in fact, every democratic force of our Nation must realize that pensions and social security meet only the minimum material needs at best. They contribute little to create the richer fuller life we believe to be each man's heritage. We have expended intelligence and money to add years to our lives; let us now add life to our years.

Many of us still have a vague assurance that the needy and lonely can be cared for in homes for the aged. The total capacity of all our homes can meet only the smallest fraction of the total need.

Moreover, we must discard our misconceptions, not merely rearrange them. Institutional care is needed for many of the physically and mentally ill; one day they will serve no other function. But the vast majority of people over 65 are neither indigent nor deranged. For all others our institutions are monuments to our ignorance. They are the dark closets in which we hide those problems we have neither the courage nor the concern to solve. Homes for the aged, orphan asylums, houses of detention, reform schools, institutions for the partially handicapped; the deaf, the crippled, the blind, even our prisons will one day be the archaic remains of the social lag of our time. Only the chronically ill will spend their years in institutions; all others will receive treatment in the community, within their own families, or in reconstructed or simulated family and community living. We can begin with intelligent planning for these, our elder citizens.

FRANCIS BOSWORTH,
Executive Director, Friends Neighborhood Guild, Philadelphia.

The material in this article will be incorporated in a book to be published by Friends Neighborhood Guild in the near future.

(From the Friends Intelligencer, Friends Neighborhood Guild, Philadelphia, Pa.)

OLD FOLKS AT PLAY

(By Francis Bosworth [1])

"How we treat our old people is a crucial test of our national quality. A nation that lacks gratitude to those who have honestly worked for her in the past while they had the strength to do so, does not deserve a future, for she has lost her sense of justice and her instinct of mercy."—David Lloyd-George.

It is tea-time at the Willing Workers' Club. Twenty-five elderly women are laughing and talking, passing cake and helping one another to sugar and cream. On the table are 25 pin trays they have modeled from clay. It could have been any group of happy women at their Thursday afternoon club. But this club is different. It is all the social life and recreation these elderly folks have in the world. Most of them live alone—life has moved on and forgotten them. Families are gone and the letters that came once a month thinned out to once

[1] Francis Bosworth is director of Friends Neighborhood Guild, Philadelphia. The Guild has pioneered in providing recreation for the aged. In the Friends Intelligencer, Third Month 17, 1945, Francis Bosworth told of the Shower and Checker Club for aged men.

a year and then stopped altogether. Others, like Miss Mary, have no one left. Maybe back in Poland—but who knows? There have been no letters from Poland for 6 years.

Now the mailman stops every Wednesday morning. The women stand on their steps, like all other women on the street, and take in the mail. It's a penny postal saying, "Don't forget the Willing Workers' Club at Friends Neighborhood guild tomorrow at 1 o'clock." Not one of them would ever forget, but it's nice to know the guild remembers you and wants you. Then, too, they can say to the woman next door, "It's from my club!"

The rest of Wednesday is taken up with getting ready. Washing out a blouse, pressing a skirt, sewing a new bow on a hat. It's hard to get something new when you must live on old age assistance, $5.70 a week. Then on Thursday, pick up the little one-room house and dress for club meeting early.

Mrs. Howard drops by and picks up Mrs. Callahan. Miss Rosovsky is there already, and the three woman set out for the guild. They are good friends now. They had often passed one another on the street or met in stores along Second Street, but they had never spoken till they met in the club. Now they visit back and forth, usually Friday so they can talk over everything they did at club meeting the day before. Miss Rosovsky speaks broken English, Mrs. Callahan has a rich brogue and Mrs. Howard is a Negro. Now they have each other.

On the way to club meeting they try to guess what "the surprise" will be.

"Isn't Mrs. McCarthy wonderful? We've been meeting 2 years and she always has a surprise."

"Let's see, we've made calendars and potholders and flowers for our coats and my—it just seems there isn't anything left to make!"

"But she'll have something new. I can never help peeking in the box on the table, but even then I don't know what it's to be until she tells us."

The women arrive at the guild and Mrs. McCarthy greets them, and helps them off with their coats. They sit and visit until half past 1 and then Miss Lee comes in and plays the songs they want to sing. There are usually a few solos too, a Russian folk song, an Irish lullaby or Mrs. Morris, 94 years old, sings a play-song she learned when she was a slave in South Carolina.

Those who have brought old clippings of poems stand up and read them. Some read a few verses of the Bible and others not so fortunate ask to have someone else read a favorite passage. Someone else calls the roll and this honor must rotate through the year.

Then comes the surprise. Mrs. McCarthy tells them what they are to make that day. It is always something pretty and often something frivolous. Part of the work has been done already, but it mustn't look that way. Each must have a feeling of accomplishment when she takes the last stitch, yet if it takes more than 20 minutes the women grow nervous. A few work fast and Mrs. McCarthy asks them if they wouldn't like to make an extra for Mrs. Thompson and Miss Carney who are absent. Tomorrow morning Mrs. McCarthy will take it to the absent ones and make sure they are all right. Sometimes they are not and we are able to help them—call a visiting nurse or the Family Society.

After that there is tea, conversation, and more music. Today is the last Thursday of the month, Party Day! Instead of cookies there is a cake with two candles for the two members who had a birthday during the month. Now all are ready to leave. They stand and sing "God, be with you tell we meet again." It is 3:30 and as they go out the gate the little children are coming from school to play. Our oldest and the youngest members meet in the gateway of the guild. The women are homeward bound with memories to last them through the week—a sachet or a little scarf to show the neighbors or the corner grocer. "We made it at club meeting today."

Medicine, education, and national planning have been focused on increasing the span of life while our national economy is focused upon retiring workers as soon after 50 as possible. Now we must solve the problem of what people are supposed to do with this enforced leisure. Opportunity means nothing if there is not opportunity for good. Unless we begin planning and acting now we will be neglecting our duty to the largest growing section of our population. Moreover, if they are neglected they may form the most powerful political pressure group in the country.

It takes so little to make old people happy. Every community in America could provide a chance for these folks to get a few simple pleasures in the last of their lives. Many have never had the time to play till now.

One of the willing workers came to meeting with a letter to show us. It read: "Dear Mrs. Thompson, your application to the Home for Aged and Infirm Colored Persons has been acted upon favorably. If you will * * *."

"That was near 2 years ago," Mrs. Thompson explained, "but I'm not going! I'm not as old as I was 2 years ago."

No, she wasn't as old, because she wasn't lonely any more.

The CHAIRMAN. The next witness is Miss Anna Pike Haas, president of the Philadelphia Teachers Association.

Mr. FOSTER (Senator Myers' office). Mr. Chairman and members of the committee, Senator Myers was called from the city today on official business and will not, as you know, be present at the meeting this morning. He has asked me, however, to introduce to the committee Miss Anna Pike Haas, who is the president of the Philadelphia Teachers Association. She is well acquainted with the problem which she is bringing before you today; and Senator Myers regrets, as I say, that he will not be here to hear her testimony.

The CHAIRMAN. Yes, we regret that Senator Myers, who is a member of the committee, is not here this morning.

We will be very glad to hear you, Miss Haas.

STATEMENT OF MISS ANNA PIKE HAAS, PRESIDENT, PHILADELPHIA TEACHERS ASSOCIATION, PHILADELPHIA, PA.

Miss HAAS. Mr. Chairman and members of the committee, I appreciate this opportunity to appear before this committee. I am Anna Pike Haas, an elementary classroom teacher in the Philadelphia public schools and president of the Philadelphia Teachers Association in Philadelphia, Pa. I present the following point of view concerning H. R. 6000 which would extend the provisions of the Federal Social Security Act. The Philadelphia Teachers Association looks with favor on the extension of the benefits of social security to large numbers of our population who are not otherwise covered by the provisions of the present act or by local, State, or Federal retirement systems. In fact it should be observed here that teachers generally will be found to look with favor on any measure that moves in the direction of establishing a higher degree of social justice.

However, the attitude of the public-school employees of Philadelphia toward H. R. 6000 is best expressed by the following resolution adopted unanimously on February 7, 1950:

Whereas the Philadelphia school personnel as members of the Public School Employees' Retirement System of Pennsylvania have exerted themselves over a period of years to develop and to contribute to an effective and actuarially sound retirement system; and

Whereas this retirement system contributes heavily to the establishment of effective education in Philadelphia and Pennsylvania by attracting and holding efficient personnel; and

Whereas the school personnel of Philadelphia, after careful study of H. R. 6000, as now before the Senate of the United States, are convinced it contains provisions which are detrimental to the best interests of the schools;

We, therefore, the representatives and members of the Philadelphia Teachers Association direct the president of this association to urge vigorously in her appearance before the Committee on Finance, United States Senate, that H. R. 6000 be amended by striking out section 218 (d) (1) (beginning with line 10, p. 82, to and including line 17, p. 83) and substituting therefor the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

A proper regard for the responsibility which rests upon this committee requires that we amplify somewhat the material presented in

this resolution. We submit to you that our retirement system has been built up since 1919 on a basis that is recognized as being actuarially sound and at the present moment represents invested capital conservatively estimated at $300,000,000.

Eighty thousand school employees of Pennsylvania—10,000 in Philadelphia—have contributed to the creation and liberalization of this retirement system. Each of them has a personal stake in it and each of them feels seriously his personal responsibility for continuing this system and its benefits not only to himself but to the educational system in which he works. It is my responsibility to represent the view of the majority of these educational employees of Philadelphia including among others administrators, supervisors, teachers, nurses, attendance officers, and librarians.

The school employees whom I represent do not feel that H. R. 6000 offers to them adequate protection for their interest in their present retirement system. Their conviction on this point arises from the fact that our retirement system is made subject to the referendum provision now included in this bill. If the purpose of this bill is as stated by Senator Myers—

primarily to extend social-security benefits to State and local employees who today have no pension system of their own—

then the referendum provision should not be included in H. R. 6000.

The authors of this bill agree that our position is correct since these authors have shown no interest in altering or undermining the established retirement systems under which Federal employees receive their benefits.

I repeat, therefore, that the school employees whom I represent do not believe that H. R. 6000, carrying as it now does provision for a referendum, offers adequate protection for their interest in the retirement system into which they have put their money for more than 30 years. We believe that H. R. 6000 as finally passed should guarantee to us the same protection of our interest in our retirement system that it directly guarantees to Federal employees in relation to their retirement systems. For this purpose we urge this committee to report H. R. 6000 to the Senate with the amendment which we have here presented.

The CHAIRMAN. Are there any questions?

Thank you very much, Miss Haas.

Miss HAAS. Thank you, Senator.

Senator MARTIN. A very excellent statement.

The CHAIRMAN. The next witness is Capt. Carl C. Bare of the Cleveland, Ohio, Police Department.

Captain Bare?

STATEMENT OF CARL C. BARE, CAPTAIN OF POLICE, CITY OF CLEVELAND, OHIO, AND NATIONAL LEGISLATIVE CHAIRMAN, FRATERNAL ORDER OF POLICE, PHILADEPHIA, PA.

Captain BARE. Mr. Chairman and members of the Senate Committee on Finance, my name is Carl C. Bare. I am a captain of police in the city of Cleveland, Ohio, and chairman of the national legislative committee of the Fraternal Order of Police, a national organization representing 30,000 active policemen in the United States. We also

represent an undetermined number of retired policemen and dependents of retired and active policemen.

We represent a true cross section of policemen throughout the country. We have members in the smallest police departments, of one or two men, in the country. We also have members in the large metropolitan centers, such as Indianapolis, Ind.; Cleveland, Ohio; and Philadelphia, Pa. We also represent members of the border patrol, who are doing duty on the Mexican and Canadian borders, and members of the harbor police on the east coast.

Our organization is a member of the National Conference on Public Employee Retirement Systems. You have heard the testimony of Dr. Robert J. Adams, Jr., the secretary of the national conference, which we endorse in its entirety. However, we would like to present some further facts regarding H. R. 6000 and its effect on policemen and police departments throughout the country, if adopted in its present form.

Most policemen are members of police retirement systems established by State or local legislative bodies. These systems are administered by local boards consisting of representatives of the members and of the public, most of whom serve without compensation. Therefore, the administrative costs of these retirement systems are kept at an absolute minimum.

In Ohio, my home State, the pension system is established by State law and is administered by boards in the local political subdivisions, composed of two members of the police department, two members of the local city council, and two members of the public at large, appointed, one by the police members and one by the council members.

The problems of police retirement systems are vastly different from those of most retirement systems. Members of the police profession must be men who are physically able to cope with any situation which might arise. It is obviously necessary to provide early retirement benefits for these men. If we did not we would soon find our police departments composed of persons who had passed their physical peak and who were unable to cope with present conditions. Statistics show that most offenses are committed by younger persons, and policemen of advanced years would certainly be no physical match for these offenders.

A good example of that, I think, is that if we personally were attacked by a criminal we would certainly much rather have a young aggressive-acting policeman come to our defense rather than one who has begun to pass the prime of life, like myself, who could not possibly be of much more aid to me than I would be to myself.

Local authorities recognize this fact and have made retirement provisions for policemen accordingly. In the State of Ohio, we have a 25-year retirement requirement. They limit the entrance of policemen to 25 years, making every policeman who enters the service in Ohio eligible for retirement at age 54. We have no compulsory retirement. It is dependent upon the policeman's ability then to go on and perform his duties in a satisfactory manner. This has been true for many, many years. Some existing police-retirement systems were established before the beginning of the twentieth century. Under a plan as broad in its coverage as H. R. 6000, it is impossible to provide

these benefits which are necessary for the proper protection of our citizens.

To maintain an efficient police department it is necessary to obtain new members who are of the proper type. Ample retirement benefits attract the person who is looking for security for himself and his family. This dependable type of person makes the best possible policeman. If the men were able to leave the police departments and continue the same retirement benefits in other employment, this inducement to remain in the service would be lost. This would result in many men leaving our police departments as soon as some more lucrative position was offered. We would then be faced with the problem of securing and training new men to replace them and again probably lose them when they had reached their best years.

As a practical police problem, we realize that the best policeman is a man who possibly has from 10 to 20 years service in the department. It takes him several years to learn the things that are necessary and to gain the necessary experience to be a good efficient policeman. If he is a patrolman out on active duty, possibly after he has been there around 20 years he has passed the middle age side of life, and he has begun to lose his efficiency.

Our present pension systems have been one of our greatest inducements for a man to remain in the police profession. If we were merged into one large social-security program as provided in H. R. 6000, this inducement would be gone and our personnel turn-over would be greatly increased. This would certainly not be for the best interests of the community.

Now, by maintaining local control of our pension systems, changes can be made to meet local changing conditions and take care of the problems that arise to fit that particular community. This would not be true under a broad plan controlled here in Washington.

Most of our local police retirement systems have recognized the fact that adequate protection for the families of men who are killed or incapacitated in the performance of their duties is a great morale builder. A man who knows that his loved ones will be properly provided for in case of such an occurrence will certainly face danger with a more aggressive attitude than one who has no such assurances. Most of these tragedies occur while the policeman is still young and active and has young children. Adequate provisions have been made by most of our retirement systems to not only provide the bare necessities of life for our dependents in such cases, but to provide an income that will assure at least a comfortable existence. In a great number of cases a policeman who is incapacitated permanently in the line of duty is retired at full pension. In a great number of our pension systems special benefits are provided for the minor children and the widows of policemen who are killed in the line of duty. So that the provisions are set up to take care of our particularly hazardous type of work.

Social security does not amply provide for this occurrence. To include our group in H. R. 6000 and remove this feeling of security for our members would certainly result in less efficient service.

The weaknesses and inadequacies of the referendum provision of H. R. 6000 have been pointed out by various representatives of public-employee groups, including Dr. Robert J. Adams, Jr., of the National

Conference of Public Employee Retirement Systems, of which we are a part. We wish to repeat and emphasize their testimony. This provision certainly does not provide the protection to which we and the citizens of our local communities are entitled.

I might emphasize one of the particular things. It is indefinite whether or not people who are presently on pension would have a right to vote in this referendum, but we of the Cleveland Police Department know that we have pensioners scattered throughout the United States. It would be an extremely difficult thing to get the necessary information to them to provide them with the knowledge to vote intelligently on any issue that came up, and it would be equally difficult to even get them to vote on the thing.

Another thing: The local governments, as you people possibly know better than I, are continually attempting to shift the financial burden to the National Government. There would be undoubtedly an attempt to do this with our pension problems. We would be constantly faced with the danger of having our pension systems taken away from us, the security that we have paid for and worked for over a number of years, and there would be a constant effort on our part to convince our local councils and local legislature that they should maintain our present pension systems. You fellows as practical men know that a satisfied employee is the employee who can give you efficient service. There is no place where that is more true than in a police department, where we have no definite measure of a man's production. He is out on his own during his entire tour of duty. He has a limited amount of supervision. If he knows that his position is secure and he is satisfied in his position and he knows that he is not going to have to continually fight to maintain that security, he is certainly going to give you taxpayers a better day's work for the salary that you pay him.

Most policemen accepted their positions with the understanding that they would be able to retire under the benefits of their local retirement system. It has been repeatedly pointed out to them that this, in part, makes up for the inadequate compensation which they receive during their active years. To change the system now and take these benefits away from them would certainly be a breach of trust.

We have no desire to deny the benefits of social security to those persons who are not now protected by a retirement system. We, therefore, respectfully solicit your consideration and support for the following amendment to H. R. 6000:

Strike out section 218 (d) (1) (beginning with line 10, page 82, to and including line 17, page 83) and substitute therefor the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

But you have already heard the amendment read.

Briefly, it provides for exclusion of public employees who now enjoy the privileges and protections of existing pension systems.

This amendment will permit those persons who have no retirement protection to be covered, and will not endanger our present local systems.

I would like for this to be included as a part of the record, however.

We thank you, gentlemen, for the opportunity to appear and present our views. We hope that you will consider our position and give us the protection to which we feel we are entitled.

Thank you.

The CHAIRMAN. We thank you very much for your appearance.

Mr. JARVIS FARLEY, of Wellesley, Mass., an actuary, has submitted a statement for the record in lieu of personal appearance.

The statement will be inserted in the record at this point.

(The statement referred to follows:)

STATEMENT ON H. R. 6000, SOCIAL SECURITY ACT AMENDMENT OF 1949, BY JARVIS FARLEY, OF WELLESLEY, MASS.

My name is Jarvis Farley. I am an actuary, living in Wellesley, Mass., and working in Boston. I make no claim to being an expert in social-security matters, but my work as an actuary has necessarily required me to give more thought than the average citizen to considerations of practice and of principle with which social-security legislation must deal and has given me some appreciation of the practical problems which must be encountered in connection with the complicated individual accounting structure of our present social-security law. Although I do not speak as an expert, therefore, I do have some well-informed opinions which I would like to express for your consideration.

BASIC STATEMENT

Of those opinions there are two on which I hold the strongest convictions and which run directly counter to our present laws and to this bill (H. R. 6000). One is the conviction that to postpone the full cost and full benefits of the social-security structure for a full generation is unnecessary, unsound, and dangerous. The second conviction is that the maintaining of individual accounts for persons covered under the social-security laws is unnecessary and constitutes an unjustified and wasteful expense. I urge most strongly, therefore, that your committee study those aspects of the present law fully and objectively before making any decision which would make a later correction of these faults more difficult to accomplish.

In support of these opinions it is useful to look at the reasons why our social-security laws were first adopted. Each person is exposed during his life to the possible loss of the income upon which he relies for the means of living. Workers grow old or become blind, wives are widowed, and children are orphaned, and our Congress enacted legislation with the goal of providing a minimum income for each of those conditions. Even if the present bill were enacted, however, our social-security structure would fall far short of meeting that goal, partly because the full benefits of the law have been postponed for a generation and partly because our accounting structure is so complicated that it cannot provide wage records, and therefore provides no assured benefit, for a large proportion of our population.

Why were the full benefits deferred for a generation? A part of the reason lies in the reserve concept of the original legislation. It was thought then that the ultimate cost to the participants would be reduced if there were first developed a substantial reserve whose interest earnings could bear some of the ultimate cost. Part of the reason was the principle of individual equity—the concept that the benefits to each individual should reflect in some measure his personal contributions, so that no one was to receive benefits unless he had been taxed for his full working lifetime. And third, if we are completely honest with ourselves I think we must recognize that a part of the reason for deferring the benefits was to postpone the full cost of social security. It seemed easier to accept the cost burden when the first impact was relatively light, but the full cost could not be postponed unless the benefits were also postponed.

How valid are those reasons today?

The reserve principle has already been substantially discarded, and there is no need to repeat here the reasons why the concept of reserves, so utterly essential to private voluntary insurance, is a dangerous fiction as originally adopted prior to the 1949 amendments.

The concept of individual equity—relating benefits to contributions—undoubtedly has political attraction. Individual equity is an essential characteristic of voluntary, private insurance operations, because in our democratic and competitive world insurance policies, like any other economic service, will be bought only if the purchaser is satisfied that he will get his money's worth. In one sense it is a high compliment to our private insurance companies that the sound principles which they developed in their voluntary operations were con-

sidered to be necessary in the Government's operations. The entire social-security structure, however, is based upon governmental compulsion, and, therefore, is subject to different concepts and requirements from those which govern private insurance. The Government can abandon the principle of individual equity and pay every aged or blind citizen and every widow and orphan today at a uniform benefit rate. Today's beneficiaries would have paid much less over the years than the beneficiaries a generation from now; but that result, after all, is only a special example of progressive taxation. Our whole progressive income-tax structure is an example of the Congress' willingness to depart from principles of individual equity when it feels that some greater benefit can thereby be obtained.

The third reason for deferring benefits—the postponement of cost—has already served its basic purpose. The social-security law has been enacted and is widely accepted. It is still politically attractive to continue postponing the cost, but it is dangerously easy to underestimate costs of the distant future. It would be politically attractive and much more realistic to pay now the level of benefits which are provided for a generation from now—and to pay them to all aged, orphaned, and widowed citizens, not only to those on whose account there happens to be a wage record.

You have been urged to provide greater benefits, sometime in the future, and to levy taxes accordingly—also sometime in the future. Opponents of the present bill have said that the ultimate cost of the proposed benefits will be far greater than the proponents can visualize. In effect you are being asked to enact a law which may be workable if everything works out as its proponents suggest, but which could be disastrous if the passage of time shows that the opponents were better prophets.

The key of your problem is uncertainty as to the cost of what you are being asked to do. I suggest most strongly that the solution of that problem is to make the calculation as of today, not as of some date many years from now. Give the benefits now, given them to everybody now, and accept the cost now. Give benefits which you are sure, on the basis of present calculations, the country can afford now. If experience proves that the benefits you provide cost less than we are prepared to pay, then extend the benefits currently and accept the cost currently; but base your actions and decisions on present conditions—on what you can see today, not on the unknown and unknowable future. What looks like a dilemma is really an opportunity, a rare opportunity, to create a sounder structure and provide greater benefits by a single decision.

Finally, if you provide a uniform benefit plan, you will make it unnecessary to keep individual accounts. I don't know the cost of the present social-security accounting establishment in Baltimore, but it must be tremendous; and yet the cost of the individual accounting system is not to be measured solely in terms of the Government's establishment. The greater part of the cost is borne by the employers of our country. Maybe you saw a while ago a cartoon which pictured a small factory and beside it a large office building labeled "Accounting Department." The cartoon exaggerated, of course, but an important part of the cost of doing business today lies in the reports and accounts which the Government requires for each individual employee. The cost of maintaining accounts of individual wage records, essential under the present benefit structure, would be quite unnecessary if a uniform benefit were provided for every eligible person. Thus the tremendous present cost of individual accounting would be a saving to credit, along with the saving from present assistance payments, against the increased present cost of providing the benefits now.

This is not, of course, the first time these ideas have been expressed. You have heard them frequently from Mr. Williamson, and you are all familiar with the excellent statement which Mr. Curtis appended to the House report in connection with this bill. I agree with their views, and I urge most strongly and sincerely that before you make any decision on House bill No. 6000, you cause to be made, by disinterested people, a complete and objective study of the desirability of accepting now the full cost of paying full benefits and of freeing the country from the cost of the present individual accounting system.

The CHAIRMAN. That concludes the schedule of witnesses for the morning. The committee will recess until 10 o'clock tomorrow.

(Thereupon, at 12:10 p. m., the committee recessed until Friday, February 10, 1950, at 10 a. m.)

SOCIAL SECURITY REVISION

FRIDAY, FEBRUARY 10, 1950

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

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George, Byrd, Lucas, Kerr, and Myers.

Also present: Mrs. Elizabeth B. Springer, acting chief clerk, and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will please come to order.

The first witness this morning is Mr. M. Albert Linton, president of the Provident Mutual Life Insurance Co. of Philadelphia, Pa.

Mr. Linton, you may come around, please, and have a seat if you will. You are appearing on H. R. 6000, I believe.

STATEMENT OF M. ALBERT LINTON, PRESIDENT, PROVIDENT MUTUAL LIFE INSURANCE CO., PHILADELPHIA, PA.

Mr. LINTON. Yes, I am.

The CHAIRMAN. I am sorry we do not have a full membership present this morning. Most of the minority side are either out or getting ready to go out and celebrate Lincoln's Birthday.

Mr. LINTON. A very laudable purpose.

The CHAIRMAN. Yes.

Mr. LINTON. Mr. Chairman and members of the Senate Finance Committee, this statement is respectfully submitted on behalf of the American Life Convention and the Life Insurance Association of America, jointly representing life-insurance companies which write over 95 percent of the life insurance in force in United States companies.

In making the following recommendation on H. R. 6000, the life-insurance business has drawn on the results of many years of study of the Social Security Act and its implications. Approximately 80,000,000 persons in this country are now covered by life-insurance policies. Life-insurance coverage is particularly significant in any discussion of social security, as it represents what has already been accomplished in an allied field through personal initiative and thrift, rather than through Government aid or compulsion.

The role of social security: The inflation brought on by World War II has left the benefits of the Social Security Act considerably short of what was originally intended to be provided. Accordingly, a realistic approach to social security indicates the need for an increase in

OASI benefits. Incidentally, I should say that we are in favor of the extension of coverage to as wide an extent as is practicable.

Social security will become increasingly important in the future. Today there are in this country about eight persons aged 20 to 64, roughly the productive period of life, for each person over age 65. In a generation, using an average of estimates, the indications are that this figure will be reduced to five persons in the producing ages for each person over age 65, with further reduction continuing after that. The importance, therefore, of planning practicable and reasonable provision for the aged can hardly be overemphasized. Great care must be exercised lest larger benefits be promised than can be delivered without danger to the economy of the country and without undermining personal initiative and responsibility. Political considerations and the history of social welfare programs clearly indicate that it is exceedingly difficult to correct overgenerous benefit scales once a large number of persons acquire a personal interest in their continuation.

Under any form of organized society the producers among the population must provide goods and services for themselves and the nonproducers as well. Social-security expansion tends to accelerate the transfer of individuals from the producing to the nonproducing portion of the population and to fix minimum benefits for the latter. If the number of nonproducers and the level of benefits afforded them places an unacceptable burden on the producers, serious consequences are likely to follow. Benefits may be reduced, taxation may be imposed to such an extent that the enterprise system is endangered, or the dollar may be cheapened through deficit financing.

We strongly urge that your committee be constantly guided by fundamental considerations. The Federal Government, through the Social Security Act, should provide no more than a basic floor of financial protection for its citizens. If this sound principle is not kept in mind in establishing a new level of social security benefits, the most serious consequences will ultimately develop. To provide benefits large enough for comfortable living under the Social Security Act will cause tens of millions of people to rely on Government for their financial protection rather than on their own ambition and initiative. Should such an attitude toward the Central Government develop, the direct impact of Government upon the lives of individuals, already great, would increase. It would eventually produce a public attitude of undue dependence upon the state and lay the groundwork for the loss of our basic freedoms.

Not only must benefits be limited so as to preserve individual initiative and responsibility, but unwise liberality in social-security benefits must be avoided for the sake of the economy of the country. The danger of such liberality can readily be seen from estimates of the snowballing cost of benefits. The first-year cost of the revised program is estimated officially at about 1½ billion dollars. By the time persons now entering the labor market are eligible to retire, the estimated costs of these benefits, omitting provision for any total and permanent disability benefits, range from 5.5 percent to 9.5 percent of estimated pay rolls. In terms of dollars these represent costs ranging from 8.3 to 12.6 billion dollars a year. These costs are in addition to all the other costs of running the Government, the cost of maintaining

our Military Establishment and any other welfare programs. Overgenerous provision for social-security benefits will inevitably lead to a Federal budget of truly staggering dimensions, the load becoming heavier each year as more and more persons become eligible for benefits.

Benefit amounts.—(*a*) Formula: The proposed new basic benefit formula, 50 percent of the first $100 of average monthly wages, plus 10 percent of the excess above $100, provides benefits which are relatively flat. For example, the basic benefit for an average wage of $100 a month is $50; that for an average wage of $250 is $65. Assuming wide extension of coverage, we prefer the basic formula unanimously recommended by the Advisory Council, namely 50 percent of the first $75 of average wage, plus 15 percent of the excess.

The CHAIRMAN. At that point, let me ask: You were a member of the Advisory Council that served during that time?

Mr. LINTON. Yes, sir.

The CHAIRMAN. I think that fact is generally known, but some members of the committee might have overlooked it.

Mr. LINTON. Thank you, sir.

This would provide $41.25—for the aged couple $61.87—for the $100-a-month man and $63.75—for the aged couple $95.62—for the $250-a-month man. Workers should look to other sources, particularly to their own efforts, for any extra benefits they would like to have.

H. R. 6000 makes provision for an automatic annual increase in basic benefits of one-half percent for each year of coverage, to replace the corresponding 1 percent increment of the present law. This one-half percent annual increase involves a substantial increase in long-range costs, probably between 2 and 3 billion dollars a year, which would have to be paid for by increased taxes.

The needs of individuals with the same average wages are likely to average the same. The increment operates to provide substantially higher benefits for workers retiring years hence than for those retiring now with the same wage credits. Therefore, if the future benefits are proper by sound social insurance standards, current benefits will be too small. Or if current benefits are proper, future ones are likely to be out of line. It is wiser and safer from a cost standpoint to use a formula not involving automatic increases. If future price levels should change, the program should then be reviewed and adjusted in the light of existing conditions, as is now being done.

We strongly recommend the elimination of the annual increase factor. This was also unanimously recommended by the Advisory Council.

(*b*) Benefit and tax base: H. R. 6000 would increase the wage base for determining benefits from $3,000 to $3,600 a year. A corresponding change would be effected in the base for employer and employee taxes.

This proposed change is often justified as a means of increasing benefits to compensate for inflation. Such an increase will already have been provided for by the change in the benefit formula just discussed. If, in addition, the wage base is to be raised, the result will simply be to give an extra raise in benefits to those earning over $3,000 a year. The double raise would not be confined to those earning only $3,600 a year but would extend indefinitely into the higher income

brackets—to those earning $10,000, $25,000, or $50,000 or more a year. It would provide a windfall to high-income persons now in later life but not yet retired, because the extra taxes they would pay on the difference between $3,000 and $3,600 a year would fall far short of paying for the extra benefits they would be entitled to receive at retirement. To provide such a windfall to those in the higher income brackets would benefit a selected few who are the least in need of the money.

I am just reminded that in the advisory council we were discussing this question, and I made the comment that here we were, a group of people, none of who had earnings of under $3,000 a year, talking about those extra benefits for those over $3,000; each of us, perhaps, trying to get his share of the deficit.

Moreover, a change in the tax base from $3,000 to $3,600 would involve many administrative and other complications, particularly because of the interrelationship with other public and private systems.

We urge the continuation of the present $3,000 limit instead of the increase to $3,600.

(c) Benefit limits: Both the present act and the proposed revision by H. R. 6000 provide for multiple benefits where an insured worker dies leaving more than one dependent. The present act provides for a maximum aggregate benefit of $85 a month. In line with the increase in the maximum primary benefits produced by the formula we recommend the present $85 over-all maximum should be increased to $120.

Lump sum death benefits: The life-insurance business views with deep concern those sections of H. R. 6000 which would turn the present lump sum death payments into universal death benefits for insured workers. About this proposal the committee report says only that the extra expenses of death impose as great a burden on those survivors who draw monthly benefits as on those who do not. It is not even alleged that a pressing, unfilled need exists.

On the contrary, a very large proportion of those in covered employment have already made provision for their funeral and other expenses of death through private, voluntary action in a great variety of ways, such as savings accounts, Government bond purchases, and life-insurance policies, both individual and group. The number of persons having life-insurance policies in this country is estimated at about 80,000,000. Any effort on the part of Government to provide for a contingency which it has been demonstrated can be so effectively met by individual and group efforts is contrary to the basic principles upon which the economy of this country is founded. We see no justification for Government entry into this field of insurance except under a political philosophy which justifies its entry into all other forms of private enterprise.

It is not a valid argument for the proposal to say that the new universal lump sum death benefit at the suggested level of 3 months' primary benefit would be better than a 6 months' primary benefit to the restricted class of beneficiaries in the present law. It is neither necessary nor desirable to retain a lump sum death benefit either at a level of 3 months' or at a level of 6 months' primary benefit, either for all insured workers or for those leaving no survivors immediately eligible for benefits. The proper action is to strike the lump-sum provision from the act. A benefit not intended to meet a social need should not be retained merely because it is the vestige of an original, money-back

principle which had no proper place in a social-insurance program.

Inclusion of full-time life-insurance salesmen: We approve the provision in H. R. 6000 which would include in old-age and survivors insurance, as though he were an employee, anyone in the capacity of a "full-time life-insurance salesman" even though he is in fact a self-employed independent contractor. The effect of this provision would be that the life-insurance companies would pay the employer's tax and these full-time life-insurance salesmen would pay the rate of tax applicable to employees rather than the larger rate applicable to self-employed persons.

In connection with this provision in the bill, we would stress the point that full-time life-insurance salesmen who are self-employed independent contractors can appropriately be brought under old-age and survivors insurance but not under unemployment compensation, because only the former can feasibly cover both employees and the self-employed.

Total and permanent disability: H. R. 6000 would launch the United States on a tremendous scale into the business of providing benefits for total and permanent disability. The life-insurance companies learned the hard way that insurance against the disability hazard is subject to great abuse in times of substantial unemployment. Disability insurance is extremely difficult to administer when there is a strong urge to claim disability in order to get on the disability-benefit rolls. Extended disability benefits, it must be borne in mind, represent potential incomes for life once claims have been approved. Millions of marginal workers—the most hazardous risks imaginable to be covered by disability insurance—would be included in a social-security disability program.

The whole program would be administered by Government and hence would be extremely difficult, if not impossible, to separate from political control. For these reasons we are convinced that the Government should not attempt to provide total and permanent disability benefits which could be claimed "as a matter of right" in return for the payment of pay-roll taxes.

The fact that OASI may be administered satisfactorily by the Government provides no assurance that disability insurance could be similarly administered. OASI benefits are payable under conditions definitely ascertainable and largely beyond the control of the individual. Disability insurance is altogether different, as has been demonstrated by the experience of the life-insurance companies. When there is sufficient urge, great numbers of people will attempt to claim that they are eligible for disability benefits, thus introducing a powerful subjective element not present in OASI. Despite any safeguarding language in the legislation, tremendous numbers of claims would be made which it would be next to impossible to disprove—for example, those involving various manifestations of rheumatism or arthritis, feigned or imaginary heart ailments, and nervous conditions. Claims of this kind would be pressed with vigor because the benefits would be extremely attractive to people out of work and because they would be considered to be due "as a matter of right" by reason of the taxes paid.

Persons on the benefit rolls are likely to be extremely loath to go back to work again, especially if their abilities are of the marginal

type or if conditions have changed so that available jobs would pay less than the workers had previously been earning. This result would obviously be very costly in dollars, but, even more important socially, it would be a strong deterrent to rehabilitation, which is a much more desirable and hopeful solution of the problem of disability.

I might say parenthetically that I have been greatly impressed by what can be accomplished by rehabilitation. It is amazing how large a proportion of people who are considered to be totally disabled can be brought back again into productive activity. And that program is the constructive one—to bring people back to be self-supporting members of the community. And if you start giving those people incomes rather than rehabilitation, they will oppose the idea of rehabilitation, because they will be afraid of losing the income. I hope there will be witnesses who will later appear before this committee who have had a lot of personal experience in this rehabilitation-program field, so that you may see what can be done with this very distressing condition. I hope you will suspend judgment until you have had a chance to hear the whole story in that field.

The CHAIRMAN. Do you discuss the provisions in H. R. 6000 of Federal grants providing aid to the permanently and totally disabled?

Mr. LINTON. No; we do not discuss that here. We were not sure, because of the situation that has developed in old-age insurance, that that would be a good solution of the problem. I think that rehabilitation is the essence—that is, the Federal system for rehabilitation operating in conjunction with the States. I think together they can work out a solution to the problem so that it will not be necessary to set up a special category for disability. If you hear the story you will be able to judge whether that is true or not.

The CHAIRMAN. Yes. I did not know whether you were covering that later in your statement.

Mr. LINTON. After an extended illness an individual who has lost his job or his business loses touch with employment opportunities in his field and experiences a lessened skill because of inactivity. Even though capable physically, it requires unusual effort, ambition, and resourcefulness to get back into remunerative activity, particularly at the same earning level he enjoyed before his illness. This problem becomes multiplied many times during periods of severe unemployment. Here again, the knowledge that a disability life income would be lost should the individual return to work produces a powerful effect. He gets a sense of security from the regular Government benefit checks which he is loath to give up for what he considers the insecurity of a job. The incentives therefore to attempt to prove total and permanent disability in the first place and then to prove its indefinite continuance become well nigh irresistible.

The millions of women who would be covered by an extended disability program would present unusual difficulties. As a class, women are hazardous to insure against disability because of the prevalence of claims that cannot be disproved. It is frequently exceedingly difficult to determine a woman's attachment to the labor market. The temptation to give up work, go home, and after 6 months claim disability would be so great that it would cause endless difficulties in administration. The problems would be much intensified in the case

of married women. Many would receive benefits when their husbands are well able to support them.

The administration of disability requires a high degree of discretion—a dangerous feature in a Government-operated program. Easily foreseen is a political club of a million or more disabled clients and their relatives pressuring for greater and greater benefits and looser and looser eligibility rules. Appeals would be made to Members of Congress to have improper claims approved for constituents impressed with their right to benefits because of the taxes paid.

H. R. 6000 provides strict eligibility rules and no benefits for the dependents of a disabled person. These restrictive provisions are not likely to hold up in view of the inevitable pressure to have them liberalized. The whole tendency would be to provide benefits that are more and more attractive and more and more easy to obtain. The whole program could easily degenerate into a system administered with an eye to its political effects and involving costs far beyond anything which has been estimated. As a matter of fact, we have no confidence whatever in estimates of cost based upon theoretical disability rates. We do not believe that they could be realized in the political atmosphere which would surround the administration of the program.

It is sometimes claimed that the experience of the life-insurance companies with disability benefits is not relevant because the companies insured well-to-do persons to an extent far beyond proper limits. Hence, it is claimed their experience cannot be cited as having a bearing upon a social-insurance program. It is true that the companies did lose large amounts of money on this type of insured persons. However, a significant fact is that, under policies of group insurance issued to workers on a relatively select basis, the percentage increases in the rates of disability in the great depression were as great as under individual policies. As previously indicated, those covered by social security would include millions of marginal workers far below the grade of the workers insured by the life-insurance companies under group-insurance policies.

Senator LUCAS. Mr. Chairman, may I ask a question on that paragraph?

The CHAIRMAN. Certainly, Senator Lucas.

Senator LUCAS. In the beginning of that paragraph on page 11 you make the statement that—

> These restrictive provisions are not likely to hold up in view of the inevitable pressure to have them liberalized.

The question is: If the committee adopted that thesis, would we ever have any social-security program at all?

Mr. LINTON. Well, I think that there are differences between programs. You see, in H. R. 6000 there is the proposal that only primary benefits shall be paid and that no benefits shall be paid for dependents. Mr. Altmeyer, I think, in his testimony very definitely recommended that benefits should not be so restricted, that the Government should start immediately paying extra benefits for dependents of disabled persons.

The Advisory Council was much concerned about that possibility. When we recall that these benefits are nontaxable, that a man not going to work is relieved of various expenses, the first thing you will

know on marginal workers you will get their incomes from the disability provisions, pretty nearly up in many instances to the amount they could go out and earn. The extra amount they could earn by going back to work would be very small, and they would not want to do it. Disability insurance is a very tricky business. When you once get a man on the disability rolls he is likely not to want to get off again.

Senator LUCAS. I think perhaps there is much in what you say. But in your statement you say:

H. R. 6000 provides strict eligibility rules and no benefits for the dependents of a disabled person.

And then you proceed to qualify it by saying that—

These restrictive provisions are not likely to hold up—

because of the pressure. And the only point I tried to make was this: In other words, we are doing more and more with social security all the time, and it is because of this pressure. In other words, it seemed to me that if this had been the thesis of the United States Congress in the beginning you probably never would have had any social security whatsoever. Because there are a great many people who disagree with us now on the extension of the coverage over what we have; and it is because of the pressure that has come along that we at least have a bill before us, perhaps.

Mr. LINTON. There is no doubt that the pressure is there. But in this particular area, where the emotional appeal is so great, it is very difficult to resist it.

Senator LUCAS. There may be a little difference in what I have in mind as to this particular problem.

Senator BYRD. You just made the statement that there would not be much difference in many instances between the disability compensation and the actual earnings of certain classes of workers. Have you any illustrations of that? How much difference would there be?

Mr. LINTON. We do know this: When a person becomes disabled, especially in times of unemployment when the pressure to get on the rolls is very great, the chances are that the amount that the man could earn if he went back into employment would be much lower than the amount he was earning at the time he got on the benefit rolls, which amount would determine his disability benefits. Then if the job he could go back to would not pay as much as it did before, first thing you know he would have almost as much income coming in from the disability income as he could get if he did go back into the market.

I do not have a specific case, but the problem becomes clear when we consider the case of the marginal workers. That is the group most difficult to handle. You could imagine the types of people that would be under this program especially after coverage has been extended. You have a very large number of the most hazardous risks imaginable.

Another thing to keep in mind, something usually not stressed when discussing the life-insurance experience, is the fact that the group-insurance experience went up just about as much as the experience of the people who were supposed to have excessive insurance. Critics say, "Well, you insured a lot of rich people, and, of course, they

went on the rolls." But the group insurance on the lines of workers went up to the same extent, practically, as the others.

Senator BYRD. Could you elaborate that in a memorandum to the committee? If these disability payments approximate what they could earn when they went back to work, then there will be constant resistance to going back to work.

Mr. LINTON. Yes; I think we can prepare a memorandum which might be helpful to the committee.

Senator BYRD. I think that is a very important question.

The CHAIRMAN. All right. You may do that.

(The material referred to will be submitted later and included in pt. 3)

Senator KERR. I would like to have you, if you will, in that memorandum, give some detail as to your insurance company's experience with this program.

Mr. LINTON. With their permanent and total disability program?

Senator KERR. Yes.

Mr. LINTON. Very well.

Senator KERR. As I understand it, the insurance companies have either abandoned that form of insurance or greatly reduced their coverage of it. Or what is the situation?

Mr. LINTON. Well, right after the disastrous experience of the thirties, practically everybody withdrew from the field. Then there has been a tendency for some to come back slowly. The premiums are extremely high and the persons selected as risks are very carefully considered to see that their incomes are not likely to fall off. This reduces the probability that they would be likely to apply improperly for the disability income. In general, the risks insured are a very restricted class.

Senator KERR. Could you give us the benefit of information showing what the program cost the insurance companies when they were generally active in that field, and the difference in cost of the premiums and the selectivity now as compared to when they were generally in that field?

Mr. LINTON. I think we can get some information that would be helpful to the committee.

The CHAIRMAN. We would be very glad to have it.

Mr. LINTON. It ran into hundreds of millions of dollars for the companies.

Senator KERR. That information is available?

Mr. LINTON. Yes; if you can give us a little time. We can't have it for you tomorrow, of course.

The CHAIRMAN. We will be pleased to have you do that.

Senator MYERS. If we could omit for the moment or separate the question of the danger in such a program that some people might pressure to remain in the program because their earnings might be somewhat similar to the benefits if they should leave the program—if we could separate that for a moment, do you believe there is a need?

Mr. LINTON. There is no doubt about it that the distressing case of disability is something which we ought to do something about. I believe you will be very much struck by the testimony which may be presented here on what can be done through rehabilitation, especially

the percentage of people who appear to be totally disabled who can be brought back by proper rehabilitation into the status of earning members of society. And that is the thing, of course, we all want. People who have had direct first-hand experience with that could give you some interesting information.

Senator MYERS. Even forgetting for the moment the rehabilitation program, undoubtedly there must be many distressing cases of permanent and total disability.

Mr. LINTON. There are.

Senator MYERS. And if we could overcome the administrative difficulties, if we could overcome the pressures—and, of course, those "if's" are capitalized—do you think the committee should give thoughtful consideration to including in the amendment before us some help and assistance to those who are permanently and totally disabled?

Mr. LINTON. Well, I believe some help and assistance, primarily through rehabilitation——

Senator MYERS. But I am speaking of those who cannot be rehabilitated.

Mr. LINTON. The question is whether the States should take care of the residual problem, as they are doing today; or whether it is a problem for the Federal Government; whether those who handle those people and know them in their communities are not better able to do it than a far-away Government in Washington. That is an arguable thesis, I think.

Senator MYERS. Are the local communities doing something today?

Mr. LINTON. They are doing something today.

Senator MYERS. Is that in the nature of relief, or assistance?

Mr. LINTON. I think that a needs test is frequently attached to it. Of course, the whole rehabilitation program could be strengthened if the Federal Government would make larger grants to it. A lot could be done in that field which would help to tide these people over the period during which they are getting back on their feet again.

Senator MYERS. You mean that the local communities might be better able to take care of it if the Federal Government gave larger grants?

Mr. LINTON. If the Federal Government gave larger grants in the field of rehabilitation. Then, if there is local need, for example, among the families, the States could do something to help meet the need. But the Federal Government's primary objectives would be to get these people into a productive earnings situation again.

Senator MYERS. But we have this problem of an unbalanced budget, and most folks are asking for a reduction in Federal expenditures. Do you think there is much likelihood that we might be able to develop such a program?

Mr. LINTON. Of course, the money to pay for extending disability benefits would be substantial. It is a very large item in the long run. If you adopt it you would be embarking on a program which may run up well over a billion dollars a year. In fact, I think it may amount to much more than that, because of the intangible factors we have been talking about.

Senator MYERS. Then it is your view that these needy cases could be much better taken care of by local communities with some grants in aid by the Federal Government?

Mr. LINTON. For rehabilitation primarily. Yes; I certainly think that ought to be thoroughly discussed. And when you get the evidence you will be able to judge for yourselves. I think it is very impressive.

Senator LUCAS. I might say that we had a very convincing witness along that line from the State of Alabama. As I recall, he recommended Federal aid in this field to the States. But he gave us the history of a number of cases.

Mr. LINTON. I have never had any personal contact with rehabilitation, but the facts that have been presented to me have been very impressive, indeed.

Senator BYRD. Mr. Chairman, I would like to ask this question.

The CHAIRMAN. All right, Senator Byrd.

Senator BYRD. You stressed, Mr. Linton, the rehabilitation feature. Now, you would have that done by the States, would you? Or by the Federal Government?

Mr. LINTON. No; I think the Federal Government should play a large part in the rehabilitation program, which is an expensive one.

Senator BYRD. I mean, would the Federal Government actually do it, perform the service?

Mr. LINTON. There are facilities in the States for accomplishing rehabilitation. There are hospitals and other institutions in the States doing that job. They should be strengthened. I think that is the safe way for the Government to go about it, the object being to get people back to work.

Senator BYRD. The idea is that Federal Government would make a grant to the States and the States would match that?

Mr. LINTON. I am not sure about the matching, on rehabilitation. As I say, I have not had close enough contact with the workings of the rehabilitation program to express an expert judgment on it. All I can say is that it is a field that ought to be described to you by those who know the whole story.

Senator BYRD. Of course, if the Federal Government undertook it, that would open a very large field.

Mr. LINTON. Well, the Federal Government already is doing a lot in rehabilitation now.

Senator BYRD. Directly?

Mr. LINTON. Yes, I think it is very largely directly, but in cooperation with the States.

Senator BYRD. That is what I meant. It is now done, as I understand it, in cooperation with the States.

Mr. LINTON. But all I wanted to say is that I think it is a field that should be very thoroughly explored.

Senator BYRD. However, your recommendation would be that if it is extended it should be done through the States rather than have the Federal Government directly do it?

Mr. LINTON. I feel I don't know enough about the way the Federal Government goes into rehabilitation to answer that question directly.

Senator BYRD. Now, another question: You stated that a billion dollars is too low for the cost to the Government. Have you any records that would show what you think the cost would be?

Mr. LINTON. The difficulty is to weigh the political and other pressures which would enter into the picture.

Senator BYRD. I mean taking this bill as it is now.

Mr. LINTON. I think the figures which have been presented by the Social Security Administration, based upon theoretical disability rates, are correct. But I don't think the theoretical disability rates would hold up in practice, because of the other intangible factors that would enter into the picture. And you cannot estimate them.

Senator BYRD. On page 3 you state that—

> The first-year cost of the revised program is estimated officially at about 1½ billion dollars.

That is not the total program of social security, is it?

Mr. LINTON. Oh, no. That is this old-age and survivors insurance program.

Senator BYRD. In other words, that is what this particular bill will add to the cost?

Mr. LINTON. Well; that is not an addition.

Senator BYRD. You said: "revised program."

Mr. LINTON. The total cost of the revised program is estimated officially at about one and a half billions. We are already spending about 700 millions, I believe the figure is.

Senator BYRD. You mean this program plus the present program?

Mr. LINTON. The total would come out to one and a half billion. It is not one and a half plus what we are now spending.

Senator BYRD. I gathered that impression. I wanted to be clear.

Mr. LINTON. I am glad you brought that up.

Senator BYRD. You say:

> The first-year cost of the revised program is estimated officially at 1½ billion dollars.

And then, down below, you say:

> In terms of dollars these represent costs ranging from 8.3 to 12.6 billion dollars a year.

Mr. LINTON. Well: that is 50 years hence.

Senator BYRD. Fifty years from now?

Mr. LINTON. Yes. We say, in other words, that by the time people now entering the labor market are eligible, these figures would apply.

Senator BYRD. You mean the time a person now entering is able to retire, 50 years from now.

Mr. LINTON. That is the year to which these estimates relate in the Social Security Administration's projection. They estimate the costs on a low basis and on a high basis.

Senator BYRD. As I understand your summarization of cost, a complete program, should this be adopted, would be one and a half billion?

Mr. LINTON. The first year it would cost that much.

Senator BYRD. The first year. Then it would gradually increase?

Mr. LINTON. That is right.

Senator BYRD. To between 8.3 and 12.6, in a period of 50 years?

Mr. LINTON. That is right. You will find those figures in a little pamphlet which the Social Security Administration has prepared, which no doubt you have.

The CHAIRMAN. Mr. Linton, this phase of the matter I am sure you must have thought of, and it must have been considered by the Advisory Council: If this recommendation of the House committee, contained in H. R. 6000, is not approved, what will be the effect on the worker in a covered industry who is building up his benefits and who

actually becomes totally and permanently disabled and is not able to return to his work? Have you any suggestion as to how we could provide for the maintenance of his insured status?

Mr. LINTON. That is a very important question, and I think it should be squarely faced. If a man were totally disabled, and it could be certified by the proper authorities that he were so, then I think the Federal Government might very properly continue his credits to old-age and survivors insurance during the period of his disability. And that would be a very fair thing to do, so that he wouldn't lose his rights.

The CHAIRMAN. So that his insurance status would not diminish?

Mr. LINTON. Yes.

The CHAIRMAN. He could maintain it at the level that he was maintaining it when he became totally and permanently disabled?

Mr. LINTON. Some reasonable principle could be worked out which I think would be fair, so that the disabled man who had been earning income in covered employment, could have earnings credits maintained during the period of his disability. If there could be some proper certification to the Social Security Administration that he was totally disabled, then I think the Federal Government might properly give him earning credit during the period he was disabled.

The CHAIRMAN. And if he returned to the labor market and if he on account of disability, though partially restored, had to accept a lower income or lower salary?

Mr. LINTON. Then I should think he would go on the basis of his lower salary.

Of course, the difference in benefits for a low-paid worker and a high-paid worker is sometimes not very great, on account of the way this formula is set up.

The CHAIRMAN. I understand that.

Mr. LINTON. But I would think that the problem could easily be solved.

The CHAIRMAN. I think that an important consideration is involved there.

Mr. LINTON. It is. You are right.

Senator BYRD. One more question.

The CHAIRMAN. Yes, Senator.

Senator BYRD. Mr. Linton, do you agree with this report made by the actuary of the committee as to the cost? It is on page 13.

Mr. LINTON. That is the one we were talking about?

Senator BYRD. I was talking about your statement, the statement you made. Now, on page 13, it starts at $1,470,000,000 in 1950. In 1955 it is $2,600,000,000, in 1960, $4,000,000,000, and in 1970, $6,200,000,000. In 1980, it is $8,300,000,000, in 1990 $10,300,000,000, and in the year 2000 $11,300,000,000. That is assuming that there are no changes, as I recall, in this present legislation. Do you think that that is fairly accurate?

Mr. LINTON. The figures you have just given, as you will see, from the heading in this table, are intermediate cost estimates. The Social Security Board estimates a low cost and a high cost. I think you will find these figures are midway between the two. That is the reason why they differ slightly from mine. I gave both the high and the low cost estimates.

Senator BYRD. You gave the high and low cost as $8,300,000,000, and $12,600,000,000 at the end of 50 years.

Mr. LINTON. That is right.

Senator BYRD. They give it at $11,300,000,000.

Mr. LINTON. Well, that is the intermediate cost, you see. They have taken halfway between the two figures.

Senator BYRD. That is not halfway between them.

Mr. LINTON. Well, the difference is that disability is in their figures and not in mine.

Senator BYRD. Disability is in their figures, and for the year 2000 it is $887,000,000. Of course, I understand all of this is merely an estimate.

Mr. LINTON. That is right.

Senator BYRD. Do you think this is an estimate that is as correct as could be ascertained at this time, assuming that the legislation is not extended?

Mr. LINTON. On the basis of the theoretical disability rates, I have no doubt that the calculations are correct. But, as I said, I have very grave doubts as to whether you would ever hold the actual rates within the theoretical rates, because of other considerations.

The CHAIRMAN. In other words, you have to have assumptions. And assuming those assumptions to be true, to be accurate, and to be correct within themselves, then you think these figures are, theoretically?

Mr. LINTON. I do think so. The Advisory Council was interested to see that these calculations were correct. We had a man from one of the large life insurance companies in New York come down and review the calculations of the actuary of the Social Security Administration. He felt that the work was as well done as could have been done using the theoretical bases he had to work on.

Senator BYRD. Now, your figures do not include the disability?

Mr. LINTON. That is right.

Senator BYRD. Why is that?

Mr. LINTON. I didn't put it in because we hoped you wouldn't introduce it into the legislation.

Senator BYRD. All right. Thank you very much.

Mr. LINTON. We strongly urge that the United States Government not enter the business of providing total and permanent disability benefits under the OASI program.

Federal grants-in-aid to State assistance program: It was clearly the intent of those responsible for the social-security legislation of 1935 and 1939 that public assistance based on need should be subordinate to social-insurance benefits granted on the basis of covered employment. Though necessarily extensive in the early years of the program, it was fully expected that assistance would decline in importance as social insurance increasingly took over the problems of dependency and would eventually retain no more than a residual role in the social-security field. So far this has not been realized. Rather it appears that the measures taken by Congress in recent years and the changes proposed in this bill would encourage the growth of the assistance program.

Despite the existence of OASI and the relative prosperity of the country in last 10 or 11 years, the number of beneficiaries of old-age assistance has gone up about a million. That was altogether different from what was anticipated when this program was inaugurated.

Two factors particularly seem responsible for this trend. First, the Federal Government's share in financing the assistance has already been increased relatively to that of the States—including payments by local governments. In old-age assistance, for example, it has been increased from the original flat 50 percent matching basis up to a $30 monthly payment for any one individual, to 75 percent of the first $20 of average monthly payment and one-half thereafter, with the individual matchable maximum raised to $50 a month. As a result, many States have been able to reduce materially their share of the total outlay, despite the fact that such total outlay has been substantially increased by reason of he increased Federal aid. H. R. 6000 now proposes to liberalize the formula still further by providing Federal funds equal to 80 percent of the first $25 of the average monthly payment per recipient, plus one-half of the next $10, plus one-third of the next $15.

Secondly, the type of matching formula which H. R. 6000 would further liberalize is one which would encourage States to increase the number of recipients of assistance benefits while holding down the average payments or even reducing them. This can be better understood by considering the following figures based on existing law.

And there is a little chart, or little table of figures, here.

Average monthly payment	Federal share of average payment	Number of aged recipients	Outlay under existing law		
			State	Federal	Total
$20	$15	20	$100	$300	$400
$40	20	10	100	200	300
$80	30	5	100	150	250

It is clear that the State, by paying only $20 a month to 20 recipients can, for the same State outlay of $100, bring twice as much Federal money into the State as by paying $50 a month to 5 recipients; or can bring in half as much again as by paying $30 a month to 10 recipients.

Furthermore, a State could reduce its current average assistance payments, increase the number of recipients, increase the total outlay, and at the same time decrease its own outlay—all because of the increased Federal subsidy resulting from the change. We believe that the possibilities inherent in this situation could lead to exceedingly unwholesome developments.

Senator MYERS. Mr. Linton, does your experience indicate to you that States have been following that procedure?

Mr. LINTON. Mr. R. A. Hohaus, of New York, delivered an interesting address in Ohio a few weeks ago. In that he gave examples. You will find that there is a tendency in that direction, which would be still more accelerated if this new program should go into effect.

Of course, you know what is going on in Louisiana, where 83 percent, approximately, of all those over 65 are on the benefit rolls. The average monthly payment per person is $47. Well, that is quite indicative of what might be possible.

Senator BYRD. Who pays that $47? What is the proportion?

Mr. LINTON. The Federal Government puts up a substantial share. I do not have the break-down. I wouldn't be surprised if the Federal Government's share was at least 60 percent and maybe more than that.

Senator MYERS. How does that $47 payment in Louisiana compare with the rest of the States?

Senator BYRD. You gave the high and low cost as $8,300,000,000, and $12,600,000,000 at the end of 50 years.

Mr. LINTON. That is right.

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Senator MYERS. How does that $47 payment in Louisiana compare with the rest of the States?

Mr. LANTON. The average for the United States as a whole, I think, is about $44 a month. But, as you know, there are very wide variations. Colorado is about $75 a month.

The CHAIRMAN. It is about $80 at this time.

Mr. LANTON. Really?

The CHAIRMAN. Yes, sir.

Mr. LANTON. Well, California is up pretty high, around $70.

The CHAIRMAN. California is second in the amount of the payment. Colorado is now first. In other words, it has the highest payment as of this present time.

Senator MYERS. I wonder where Louisiana stands in that table. Half way?

The CHAIRMAN. No; considerably above half way.

Senator MYERS. Then it does not seem to me that that bears out this formula. In Louisiana they are paying $17, you say, to how many?

Mr. LANTON. Around 83 percent.

Senator MYERS. Then that does not seem to bear out your formula. I think the proof of your formula would be to indicate that they are paying $17 to a rather small number of people. I do not see how that example is proof of your statement.

Mr. LANTON. It is probable that it is not the pat example of the thing I am talking about.

Senator MYERS. My question was: Were the States tending in that direction? And I think it would be very interesting and very helpful to the committee to have some other factual information as to the tendency of the States in that direction. The Social Security Administration, of course, may have those. Mr. Cohen, can you furnish that information for the record?

Mr. COHEN. Yes, sir.

(The information requested is as follows:)

EFFECT OF 1946 AND 1948 AMENDMENTS ON THE PROPORTION OF LOW PAYMENTS IN OLD AGE ASSISTANCE

As the cost of living has risen and as increases in State and Federal funds for assistance have made it possible to raise payments to recipients, average payments have increased and the proportion of low payments had gradually decreased. These trends were not interrupted by the changes made by Congress in the formulas for Federal participation in old age assistance, effective in October 1946 and October 1948, even though States could have profited by increasing the proportion of low payments, thus decreasing the average payment and raising the Federal share. In September 1949, only 10.1 percent of the payments for old age assistance in the United States were under $20.

The average payment and the proportion of payments under $10 and between $10 and $20 in the Nation are shown below for months in the past 5 years for which data on the distribution of payments are available.

Month and year	Average payment of old age assistance	Percent of payments	
		Under $10	$10 to $19.99
November 1943	$30.69	4.9	17.6
September 1946	34.18	3.3	17.7
January 1947	35.39	1.9	14.8
October 1947	36.81	1.7	13.0
September 1948	39.80	1.4	12.9
December 1948	42.02	1.0	10.6
September 1949	44.46	1.0	9.1

Comparison of State data for old age assistance for September 1946, the month before the 1946 amendments became effective, and October 1947, a year after they went into effect, shows larger proportions of payments under $20 in the latter month in only six States. In four of the six States the proportion receiving payments under $20 was very small—less than 6 percent. In the other two States, Louisiana and Mississippi, a special circumstance accounted for increases in the proportion of payments under $20. Before the 1946 amendments, several States, including Louisiana and Mississippi, made joint payments to most husband and wife couples, even though both were eligible for old age assistance. This practice understated the actual number of recipients and overstated the average payment. Because the new formula based the Federal share on the average payment *per recipient*, these States "split" most of the joint payments, making a separate payment to each eligible person, as was already being done in other States. This change was desirable in itself in order to assure comparable statistical data among the various States. This change accounted for the increased proportion of payments under $20 in Louisiana and Mississippi. By September 1949, the proportion of payments under $20 had dropped to 0.9 percent in Louisiana and to 59.7 percent in Mississippi.

Percent of payments of old age assistance under $20 in States with increases from September 1946 to October 1947

State	September 1946	October 1947	Increase in percentage points
Alaska	2.8	4.2	1.4
District of Columbia	4.9	5.0	.1
Louisiana	42.9	51.6	8.7
Mississippi	74.9	76.9	2.0
Utah	2.1	2.2	.1
Washington	2.0	2.3	.3

Between October 1947 and September 1949 the proportion of payment under $20 increased in 11 States but only two of these States—Hawaii and South Carolina—made payments under $20 to as many as 10 percent of their recipients even in the later month. At the beginning of 1948, South Carolina considered all persons with as much as $240 annual income to be ineligible for assistance. Between October 1947 and September 1949, the specific income limit was removed so that anyone may receive old age assistance if he is otherwise eligible and his income is too low to meet his need according to State standards. Some persons with income over the earlier limit were added to the rolls and received below average payments, thus increasing the percent of payments under $10 and $10–$20. Since October 1947, shortage of funds in Hawaii has necessitated lowering payments by discontinuing the provision for certain needs that had previously been included in the assistance standards.

Percent of payments of old age assistance under $20 in States with increases from October 1947 to September 1949

State	October 1947	September 1949	Increase in percentage points
Arizona	0.5	4.2	3.7
California	3	4	1
Colorado	4	7	3
Connecticut	4.3	4.6	.3
Florida	2.8	3.4	.6
Hawaii	12.0	15.5	3.5
Illinois	3.2	4.5	1.3
Nevada	(1)	2	2
New Mexico	5.6	7.8	2.2
South Carolina	35.0	44.5	9.5
Vermont	8.3	8.6	.3

[1] Less than 0.05 percent.

From the statistical and administrative evidence available there appears no basis to any claim that the States have arbitrarily or unjustifiably placed addi

tional persons on the assistance rolls to receive low payments in order to obtain additional Federal funds.

Mr. LINTON. Mr. Hohaus, in the address previously referred to, cites the example of Mississippi which in the space of 21 months increased the Federal Government's contribution by $386,000,000, while increasing its own outlay only $33,000,000. It did this by increasing the number of recipients by nearly 20,000 and raising the average benefit only $1.30, from $17.50 in September 1947 to $18.80 in June 1949.

Senator MYERS. How would you correct that situation, Mr. Linton? What would be your suggestion?

Mr. LINTON. I think, of course, if the sharing were on a 50-50 basis it would largely correct itself.

Senator BYRD. That is the only way it could be corrected, is it not?

Mr. LINTON. It would be a most effective way to correct it.

The changes in the old age and survivors insurance provisions should rapidly reduce the burden of the assistance programs. We can see no justification for the proposal of H. R. 6000 to increase further the Federal grants supporting them.

That is the end of the statement on behalf of the two organizations.

Nonprofit organizations: There is one matter I would like to present on my own, if I may. It did not appear important enough to be included in the formal statement by the two organizations. Nevertheless it is an important matter. That is a needed change in the benefit formula for employees of nonprofit organizations.

The employees of nonprofit organizations under H. R. 6000 would pay the regular employees' taxes upon their earnings. However, the nonprofit organizations as employers would have a choice as to whether or not they would pay their half of the total pay roll taxes. If they elected not to pay, then the employees would be given credit for one-half of their average credited wages.

To those not familiar with the working of the formula, this would give the impression that since only one-half of the wages would be credited, the benefits would likewise be reduced to one-half. That, however, would not be the case. Because the benefit formula weights so heavily the first bracket of income, crediting one-half the wages would result in benefits for the higher paid workers running up to more than 80 percent of the normal benefits that would have been paid had full taxes been collected. A dangerous precedent would be set should any favored group of people be able to receive excessive benefits in proportion to the amount of taxes the Government receives.

Furthermore, in some instances, a nonprofit organization might find it more advantageous to purchase private pensions with amounts equal to the taxes they had elected not to pay to the Government. This, indeed, would be an anomalous, unsound, situation. Obviously, the fair thing would be to pay one-half benefit when only half tax is paid.

As soon as the basic benefit formula has been determined, a corresponding formula can easily be devised to apply to wages earned in nonprofit organizations, so that one-half benefits would be paid when the employer did not pay his half of the tax.

The CHAIRMAN. In other words, you would measure the benefits there by the amount actually paid in, so to speak?

Mr. LINTON. If one-half the tax comes to the Government, then the benefits should be one-half. Under H. R. 6000, it might, in the case of the higher paid workers, run up to 75 or 80 percent.

The CHAIRMAN. Yes, sir. Is there anything else, Mr. Linton?

Mr. LINTON. That is as far as my formal statement goes.

Senator BYRD. I assume you are familiar, Mr. Linton, with the Brookings Institution's investigation and report. Would you give us some idea as to that?

Mr. LINTON. I don't know to what extent the committee members may have read that report. It is an extensive statement on the subject of social security. They point out clearly how dangerous to the economy excessive social-security benefits would be if added on to all the other expenditures which the Government is making. They give four possible solutions of the old-age income problem.

One is that benefits should be paid only on a needs test. Well, I don't believe that would work in this country.

Then they discuss, as a second alternative, a level benefit for every eligible old person. You have already heard a lot about that. Well, I don't believe that would ever work in a country like ours, with its wide variations in living standards.

They discuss having social-security benefits rise to a figure which would be related to total earnings and which might represent comfortable living, so to speak. They feel that would be a mistake, and so do we, as indicated in our opening statement.

Then they discuss another suggestion which is that all eligible old persons in the country should receive a minimum benefit which should be increased according to their wage records up to a relatively low maximum.

It is very interesting that a lot of other people have been thinking along that line. It would mean that we would treat the old-age problem as a unit. We would not divide it between those who had attained age 65 before or after a certain date, or whether or not they had worked in covered employment. I have been much interested in seeing how that could be worked out in connection with H. R. 6000.

The first step would be to extend coverage to all gainfully employed persons to the maximum extent possible so that they would begin to pay the pay-roll taxes.

The new element in the program would be to extend the old-age and survivors' benefits to all present retired persons over age 65. You would determine retirement by an earnings test, as would be done under H. R. 6000.

For example, those earning over a given figure could have their benefits reduced by the earnings above that figure. That is one way it could be done. You would, of course, find many retired people who had no wage credits at all. You would give them, we will say, the minimum in H. R. 6000, $25. If a man had an eligible wife, she would receive another $25, making a total of $50 for an aged retired couple with no wage credits or with wage credits which would not qualify for more than the minimum. Those who had wage records which would qualify for more than the minimum would receive benefits determined by the formula finally adopted.

These payments, then, would take the place of all Federal grants for old-age assistance.

Senator BYRD. That would be jointly administered by the States and the Federal Government?

Mr. LINTON. These benefits would be paid right straight across the board on the basis of an earnings test, and would replace all Federal grants for old-age assistance. If the States wanted to add anything, they could do so.

The existing beneficiaries under old-age and survivors' insurance would have their benefits recomputed on the new basis. H. R. 6000 does provide a formula for recomputing benefits. After a certain time, of course, in the future, only those who had been in covered employment would be eligible for benefits. However, with universal coverage there would be very few such people left, and they could be handled by the States alone on an assistance basis.

The benefits under the proposed plan would be paid out of the current OASI income. Rough estimates indicate that the cost of doing this would just about be equal to the current 3-percent pay-roll-tax receipts.

The CHAIRMAN. They recommend the abandonment of the reserve entirely?

Mr. LINTON. Well, under this plan there would be very little increase in the reserve after it had been put into operation. And those who are worried about the reserve could have their worries alleviated. And the interesting thing about the plan is that its eventual cost after 30, 40, or 50 years would differ very little from the eventual costs of the present program. But you would take care of the present old-age problem, which is, of course, a vital one today.

There is a very unreal distinction between the present programs of old-age and survivors insurance and of old-age assistance. Under OASI, a man can pay in only a few dollars in taxes and receive a large benefit. The other man, who didn't pay a cent of tax, has to have his benefits determined by a social worker upon the basis of his need.

Under the plan being discussed you would make the same type of change in the formula for survivors' benefits, both for present and future beneficiaries. Nonworking widows with children under age 18 would be paid benefits upon application, and likewise for dependent children where the mother is not living, all subject to the earnings test. Of course, the availability of these as well as the new old-age benefits would be widely publicized.

This plan would also replace the Federal grants to the States for dependent children. I think you have had pointed out to you some of the abuses that have developed under that program. You would then have this revised OASI program taking care of the two problems of old age and dependent children. If the States wanted to add on to either or both programs, they could do so; but there wouldn't be this jockeying back and forth as to the Federal share.

The advantage of the plan is that it would solve many of the problems which are very disturbing under old-age insurance and aid to dependent children. It would remove the shadowy distinction between those who do not qualify for old-age and survivors insurance and those who do qualify by paying a very small pay-roll tax. We would begin to do for the present aged what we are attempting to have our children do for us. That is one of the worst things about this

program. We are providing that they are going to do for us what we are not willing to do for those who have already retired. It would solve that problem and at the same time put a salutary brake upon excessive benefit levels; because if we seek to raise benefits with taxes being used up, then we would have to raise the taxes.

Now, one of the disadvantages—and of course, it is not an open-and-shut question—would be that you would have political pressure to increase the minimum benefit. The offset to that would be the necessity of finding the money to pay the increased benefits. We would have to increase the pay-roll taxes.

Of course, there might be pressure to substitute some other taxes for the pay-roll taxes. However, I am inclined to think that the pay-roll taxes are now accepted by people generally because there is such a direct relationship between what they pay and what they get. It is one of the few taxes where such is the case and for that reason people are willing to pay them.

I think, therefore, that the chances are that the pay-roll taxes could be held But you are a much better judge than I am about that from the political angle.

One important aspect of the program would be that we of this present generation would have a clear idea of the cost of providing for old-age and survivors' benefits. We would not be relying upon interest on a huge reserve fund to carry part of the load in the future. Nor would we be as likely to provide benefits which would prove to be dangerously burdensome for future generations.

I am inclined to think that the pressure for some plan of this kind is going to grow as the years go by. And I can't help wondering whether it isn't something that should be thoroughly studied while the amendments to the act are now being considered. When this act gets set, so to speak, it is hard to change. No change has taken place to amount to anything since 1939. It got all out of gear because of changes in the price level. This type of plan, I think, would tend to keep the whole program more in line with changing conditions. It would keep the old-age assistance from getting out of hand. It sounds revolutionary, but we are up against real problems which demand attention.

I am not here saying it should be or should not be adopted. However, it seems to me that while in this state of flux it is something that should be thoroughly considered and pondered by your committee.

Senator BYRD. One more question, Mr. Chairman, please.

The CHAIRMAN. Senator Byrd.

Senator BYRD. Mr. Linton, you mentioned the reserves, which, as I recall, aggregate something like 35 billions.

Mr. LINTON. For all the trust funds?

Senator BYRD. All the trust funds. Now, have you made any estimate as to how much this present bill will increase the reserves or diminish the reserves in the next, say, 25 years?

Mr. LINTON. The estimates are in this little pamphlet that you referred to. They are on page 10. It just shows how difficult it is to get at the facts about a program of this kind. You will see that on the basis of the low cost estimates the reserve at the end of 50 years is estimated to reach nearly 175 billions of dollars. But on the high cost estimates, the fund goes into the red in 1992.

Senator BYRD. You had better take the high cost estimates, had you not? That is our policy now: to go into the red.

Mr. LINTON. It just shows how difficult it is to get any real long-range estimates. If it ranged from 175 billions in the reserve to a zero reserve in 1992——

Senator BYRD. Well, we all know when we start this it is going to grow and grow. Those things have always happened and always will happen.

Mr. Linton, if the program of taking care of the present aged should be adopted, and you would not have to worry about any such figures as are in these estimates, you think the reserve will take care of itself?

Mr. LINTON. The reserve would take care of itself.

Senator MYERS. How did the Advisory Council look upon these suggestions, particularly the fourth suggestion, which you have just elaborated upon?

Mr. LINTON. The Advisory Council did not discuss that report. Its report was made at the end of 1948. This idea has been suggested much more recently than that.

Senator BYRD. Mr. Chairman?

The CHAIRMAN. Senator Byrd.

Senator BYRD. The Brookings report, I assume, could be considered by the committee. If it were in order, I would like to make a motion that a copy of that report be sent to each member of the committee.

The CHAIRMAN. We plan to have some of the Brookings people down before the committee. I think that is a direct way to get it.

Senator BYRD. Yes.

Mr. LINTON. As I said, I think the plan which they favored was one which involved a needs test.

The CHAIRMAN. They do make those four suggestions as you outlined them.

Well, I have not been able, myself, to give it anything like a careful reading, but I am already communicating with the Brookings people, and they will be down at a later date.

Thank you very much, Mr. Linton, for your appearance here, and your contribution to this problem.

Mr. LINTON. Thank you, sir.

The CHAIRMAN. Mr. Carton? Mr. John E. Carton?

You are the president of the Police Conference of the State of New York, I believe.

STATEMENT OF JOHN E. CARTON, PRESIDENT, POLICE CONFERENCE, STATE OF NEW YORK, NEW YORK CITY

Mr. CARTON. That is correct, Mr. Chairman.

The CHAIRMAN. And you are appearing here representing the conference.

Mr. CARTON. I am. And in addition to that, I am president of the Patrolmen's Benevolent Association of the City of New York and a delegate to the National Conference of Civil Service Employees Retirement Systems.

The CHAIRMAN. Yes, sir.

Mr. CARTON. And I also would like to add, if I may, Senator, that present here this morning are the heads of the line organizations of

the New York City Police Department, and we also have the president of the Policewomen's Endowment Organization in the city of New York.

The CHAIRMAN. We are very glad to have them.

We will be pleased to hear you now, Mr. Carton.

Mr. CARTON. Senator George and members of the Senate Finance Committee:

On behalf of the 40,000 members of the Police Conference of the State of New York in 190 cities, villages, and towns of New York State, we wish to express our appreciation for the opportunity of being heard before this committee.

Permit us to make it clear that we do not oppose the extension of social-security benefits to those who need them. We are here to ask that you specifically exclude from coverage in this bill policemen and public-employee members of retirement systems.

We believe that H. R. 6000 in its present form is the biggest potential threat to our security which we have ever met. It is our purpose here to state this for the record and to urge that H. R. 6000 be amended so that it is no longer a menace to us.

Our members are policemen in the employ of the political subdivisions of New York State. They are all members of retirement systems which have benefits far superior to those of the present social-security program. For instance, a patrolman in New York City may now retire on a minimum annual pension of $1,900. A member of a rank higher than patrolman retires on a proportionately larger amount. A widow of a man killed in the line of duty receives an annual pension of not less than $1,900. We see nothing in the social-security program which compares with this.

We have always been opposed to inclusion in the national social-security program either by direct or indirect methods. We had every reason to believe that our position on this matter was clearly understood by our legislators in Washington, D. C. During 1949, our individual and committee representatives were assured that we and members of public employee-retirement systems would be excluded from coverage in any social-security extension bill. Then H. R. 6000 was passed without the specific exclusion we so earnestly requested.

In place of the specific exclusion, we find that H. R. 6000 contains some vague language and a dubious referendum provision. Previous experience with vague language has taught us that it leads to endless misunderstanding, controversy, and costly actions before the courts. We decry this as unnecessary and avoidable.

A test of the H. R. 6000 referendum procedure as applied to the New York City police pension systems discloses a result contrary to reason. It appears that 62 percent or nearly all the required two-thirds of the voters could be pension recipients and could vote for inclusion in the social-security system with no personal loss since the New York State constitution provides that their personal pension benefits may not be diminished. Here we have a most dubious procedure whereby men with little or no equity might vote to the disadvantage of other men.

The CHAIRMAN. In other words, they would have nothing to lose? Those who are the recipients now?

Mr. CARTON. That is true. The people who have already served their minimum time and those who are already out on pension could out vote to the extent of two-thirds of the entire members of the pension system.

The CHAIRMAN. They would have nothing to lose, because under your law their benefits could not be diminished, and they might be persuaded to gain something by going into the Federal system?

Mr. CARTON. That is what we feel, Senator.

The CHAIRMAN. Yes, sir.

Mr. CARTON. We propose that this potential confusion be replaced by an amendment, which needs no interpretation and about which there can be no doubt. We request that section 106 of H. R. 6000 be amended to strike out sections 218 (d) (1) (beginning with line 10, p. 82, to and including line 17, p. 83) and substitute therefor the following paragraph:

(7) Such agreement shall exclude all policemen and public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section.

We pray that the Senate Finance Committee concur with our conclusion on this and will assist in recommending the requested amendment as reasonable and necessary.

In the past we have placed our confidence in the promise of former Senator Robert F. Wagner, whom we always considered our friend and a father of social security. He was aware of our position in this matter and assured us that such legislation would never interfere with our pensions. The present language of H. R. 6000 inspires us with no continuation of such confidence.

To Senator Herbert H. Lehman for his announced willingness to support our efforts and to Senator Irving M. Ives for his kind offer of his able assistance, we are most grateful. For the courtesies extended to us before this Senate committee, we are most appreciative.

I would like to give the committee a few facts which I have obtained from our New York office since Wednesday. I have attended several of these meetings, and a number of the Senators have asked certain questions, and I think these facts may answer them.

The CHAIRMAN. Yes, sir. We would be very glad to have you do so.

Mr. CARTON. Thank you.

We are the only State in the Union which has this provision in its constitution. It is section 7 of the New York State Constitution.

After July 1 of 1940, membership in any pension or retirement system of a State or of a civil division thereof shall be a contractual relationship, the benefits of which shall not be diminished or impaired.

This was passed by the people of the State of New York, November 8, 1938, and is still in effect.

Senator MYERS. Did I understand you to say you were the only State that has such a constitutional provision?

Mr. CARTON. That is true, Senator.

The taxpayers and the various municipalities in the State of New York at the present time are required to pay from 7 to 20 percent of pay roll for pension purposes. Because of this constitutional provision, we feel that notwithstanding a referendum they cannot deprive us of the pension that we have contracted for with our respective

municipalities. Therefore, we feel that as far as the State and the municipalities are concerned, H. R. 6000, in its present form, would merely add an additional burden upon the States. And we have in the State system 140,000 members. In the New York City systems we have close to 175,000 members. So you will see that it is a big item in regard to the State.

But insofar as our individual members are concerned, we feel it would merely add an additional tax upon them, and their chances of receiving any benefits under social security would be remote.

A statement was made before the committee on Wednesday to the effect that civil-service employees, two-thirds of them, go out and then go back into civil service. They are trying to extend protection to them.

Now, I have some facts in connection with the New York City police department. In the year 1947, 87 members left our department out of an entire personnel of 18,860 men. In 1948, 65 men resigned from our department. In the year 1949, 44 members resigned from our department.

Now, general statements have been made in regard to the inadequacy of social security when compared with our local pension systems. Our men pay and have been paying in an actuarial pension system since 1940 as high as 17.4 percent for a 20-year retirement. We have a 20-, 25-, and 50-year retirement in our system, but we do pay as high as, for age 21, 17.40 percent of our salary. And if we desire survivors' or widows' benefits, the men are required to pay, in addition, as high as 5.75 percent of their salary.

This system is an actuarial plan. Since 1940, 8,300 men have entered the system. They have a real vested right in it. And to place an additional burden upon them, we feel, is unfair, and we feel that we represent civil-service groups. We are not as powerful as some of these national organizations. It is hard for us to muster our strength, and so forth. But we feel that in a time of depression or recession, even though it were to be of a temporary nature, our officials back home are likely to get panicky and, through this compact, enter all of our new men, particularly, into social security. We feel that that would demoralize the entire police departments throughout the State of New York, and you would not get the type of individual that is now and has been aspiring to the job within our own department.

Only recently, 27,000 men applied for the job of patrolman in the city of New York. But if you offer social security in lieu of local pension systems, I fear that you would not get one-hundredth of the men that are now applying.

The systems are liberal. However, our local people know that you only get just what you pay for. Policemen were the first employees to receive pensions. It was not granted to policemen merely for service. They recognized the hazards and risks of life. And that is what it was granted for, more than for actual service retirement.

If you desire to put us into social security or make it possible for our local officials to do it, you will materially deplete the forces within our city. We have at the present time 6,600 men who have their time in. We have 8,600 retired members on the rolls. In other words, you would almost double the cost to the city of New York if we are forced

into social security or our local pension systems are threatened in any respect. We have 4,266 widows. That is out of a personnel of 18,000 men. You must agree that they can more than put us into social security, if H. R. 6000 is left in its present form.

There is another unique thing in connection with our pension system. During the year 1949, 255 men retired from our system. Of that number, 30 percent retired for either service-connected disability or ordinary disability. The average age for service retirement was 46.1 years. The average age for disability retirement was 43.9 years. The average number of years of service in our department was 22.9 years. The average number of years for disability retirement amounted to 17.1 years.

So if you feel that you desire to give our employees some additional protection over and above what their local protection system gives to them, through the medium of social security, you would find that our people have more than sufficient time to acquire the maximum benefits under social security; since the average retirement age is 46. It varies in municipalities, but most of the systems are built around ours.

Now, the comptroller of the State of New York just learned that in 1940 they took policemen out of their local pension systems in the State of New York and put them into a State retirement system which was composed wholly of employees in sheltered occupations, clerical workers, and so forth. And now he finds, after 9 or 10 years' experience, that the retirements of policemen, notwithstanding the fact that they are only one-fourteenth of the membership in that New York State retirement system—that the retirements of policemen are five times greater than for all other civil-service employees in the State retirement system.

And, as I say, in closing, policemen have always regarded their pension, and particularly the contribution made by the municipality toward their pension, as deferred compensation. Salaries of policemen have never been exceptionally high. And this has been the policy of our city and our State since 1857.

I urge that you go along with us and accept the amendments introduced in the Senate by Senator Herbert Lehman and also Senator Irving Ives. Thanks again for this opportunity to present our cause.

The CHAIRMAN. We thank you very much for your appearance here and for your contribution to this problem.

Is there any question?

Senator MYERS. I understood the witness to say that there is no system in the State of New York that pays less than the amount set forth in H. R. 6000.

Mr. CARTON. That is true.

Senator MYERS. That is, there is no system that pays less than the increased benefits contemplated in H. R. 6000.

Mr. CARTON. That is true.

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

Mr. CARTON. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Spradling? You may be seated if you wish, Mr. Spradling.

STATEMENTS OF A. L. SPRADLING, PRESIDENT, AMALGAMATED ASSOCIATION OF STREET, ELECTRIC RAILWAY AND MOTOR COACH EMPLOYEES OF AMERICA, AFL, DETROIT, MICH., O. DAVID ZIMRING, GENERAL COUNSEL, AND BERNARD CUSHMAN, ASSISTANT TO O. DAVID ZIMRING

Mr. SPRADLING. I would just like to state, Mr. Chairman, if I may, that accompanying me here this morning is Mr. Joseph F. Fahey, representative of Division 589, Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America, as well as our chief counsel, Mr. Zimring, and Mr. Cushman.

The CHAIRMAN. Will you now identify yourself for the record?

Mr. SPRADLING. I am the president of the Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America. Our offices are in Detroit, Mich., in the Griswold Building, 1214 Griswold Street.

The CHAIRMAN. We would be very glad to hear from you.

Mr. SPRADLING. The Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America, AFL, is the dominant union in the field of transportation of passengers by streetcar and motorbus. Our union has been a pioneer in the establishment and extension of protection for the worker against the hazards and insecurity of old age. We, of course, support the general objectives of H. R. 6000 and the general position of the American Federation of Labor on H. R. 6000. It is my understanding the President Green is scheduled to appear before your committee soon to state the federation's position.

The CHAIRMAN. Yes, sir. He will be here.

Mr. SPRADLING. With the substantial increase in the life expectancy of American workers there is an increasing number of older employees whose needs in connection with protection against the incidence of old age require congressional recognition. It is important, too, that workers who have not had the benefits of the old-age and survivors insurance provisions of the law should be brought within the scope of the program. It is also important that the basic provisions of the program be made adequate by an overhauling of the benefit structure and an upward revision of the benefits on a basis that will make such payments realistic in the light of present day needs. It must be recognized, however, that private pension plans will continue to exist and will play an important part in specific industries in insuring that protection in old age and against disability and illness will be adequate in the light of the particular circumstances presented in each industry.

We are concerned here today with one special problem which seriously affects many of our members, which is not adequately provided for by H. R. 6000 and which requires special recognition by the Congress. In recent years several large private transportation systems have been taken over by municipalities or public authorities. Some illustrations are found in Cleveland in 1942, San Francisco in 1944, and Chicago and Boston in 1947. The acquisition of other privately owned transportation systems has been considered or is being considered by other cities or subdivisions of States. Approximately 50,000 of our members are employed in transportation systems which have already been acquired by municipalities or public authorities.

These working people have as a result of such changes in operation lost all or a large part of their benefits under the Social Security Act.

As you know, it is necessary under the act for employees to achieve a fully insured status to have been paid $50 or more in covered employment in at least half the number of calendar quarters as there are between January 1, 1937, when the program began, and the quarter in which the employee becomes 65 or dies. In no case can a worker become fully insured unless he has been paid at least $50 in wages in each of at least six calendar quarters. Once a worker has acquired 40 quarters of coverage he is fully insured for life. Although those employees who have had ten full years or more of coverage prior to transfer to public ownership will continue to be fully insured and entitled to some benefits at age 65, their average monthly wages as defined in section 209 (f) of the Social Security Act will be reduced substantially during the period of employment under public ownership since the time so worked does not count under the present act. Moreover, their primary benefits will not increase 1 percent per month under public ownership because wages within the meaning of section 209 (a) of the act will no longer be earned by them.

Those employees who had less than 40 quarters of coverage at the time of acquisition by the public agency will no longer be currently or fully insured under the act after they have worked under public ownership for a certain period of time. They will eventually lose all benefits under the act. The social security taxes paid by these employees and their employers amount to substantial sums. It is unjust that these workers and their families should be deprived in whole or in part of benefits which they expected to receive when paying such taxes. The loss of benefits which these employees suffer is particularly unfair since they were removed from coverage under the Social Security Act by circumstances over which they had no control. Ordinarily, if an employee leaves an occupation covered by the act and enters employment exempt from its coverage, he does so with full knowledge of the consequences regarding his benefits and contributions under the act. These employees, however, did not act of their own volition. They had no choice but to follow their jobs, which were taken over by public agencies.

Senator LUCAS. Mr. Chairman, may I ask a question or two right at that point?

The CHAIRMAN. Yes, Senator.

Senator LUCAS. Is it all right if I interrupt you, sir?

Mr. SPRADLING. Yes.

Senator LUCAS. You say they had no choice but to follow their jobs, which were taken over by public agencies. Let us take the Chicago situation, where, as I understand it, the transportation system has been taken over there by the municipal authorities. It was taken over, I think, in January 1947.

Mr. SPRADLING. That is true.

Senator LUCAS. Your contention is that as a result of that, as I understand, these employees who were covered under the Social Security Act up to the time of the municipality taking over, have had their benefits substantially diminished. Am I correct in that?

Mr. SPRADLING. They will be, as time goes on.

Senator LUCAS. Now, will you elaborate just a little on that?

Mr. SPRAGUE. Well, for instance, when the Chicago Transit Authority took over the property in Chicago, the men were fully covered, those that were there when the Social Security Act was inaugurated in 1937. They paid into that act until taken over, in 1947, by the Chicago Authority. But then they were taken from under the Social Security Act. Therefore, for each year, starting in with the first year, and going on up, as long as they live, or until they reach the age of 65, the pension they would receive under the act will be gradually diminished. For instance, if a man has had 10 years of service, or, we will say, 20 years of service, and retires within the next 10 years or at the end of the next 10 years, the wages that he earned in the last 10 years of his employment are not applicable, and he has not paid under the Social Security Act. Therefore, as I understand the act, his wages, or his insurance that he would have received under the Social Security Act, will have been diminished by half, or down to the minimum.

Senator LUCAS. It is your contention, then, as I understand it, then, that under this act, if an employee had full coverage before he was taken out from under social security and placed under the private system, through the municipality of the city of Chicago, we will say, and then he succeeded in his work for another 10 years, the wages of the second 10 would be considered as well as the wages of the first 10 in determining what his retirement benefits should be. Am I correct?

Mr. SPRAGUE. That is true, as I understand it.

Senator LUCAS. Is that the reason why you say it would be diminished?

Mr. ZIMRING. May I explain that?

The CHAIRMAN. Yes, sir.

Mr. ZIMRING. Assuming an employee has been in the service with the Chicago surface lines from 1937 to 1947, when it was privately owned and operated, and then the property was bought by the Chicago Transit Authority and the employee works another 10 years for the Chicago Transit Authority, which is publicly owned.

Senator KERR. And which is not covered by the act.

Mr. ZIMRING. Which is not covered by the act.

Although he had been fully insured at the time of the acquisition of the property by the public agency, his average earnings are now computed by dividing his earnings for the private employer when he was covered by the full 20 years of employment, 10 of which years were uncovered, none of his earnings received from the public authority, from the public agency, would go into the aggregate of the total earnings, thereby diminishing his average. Because you take the 10 years of earnings for the Chicago surface lines, the private employer, and divide it by 20 years instead of by 10. He is protected to some extent by the present minimum under the law. It would not diminish to zero. It would diminish, however, to $20. In such an instance, the present average of, say, $11 or $12, would go down to $20.

The CHAIRMAN. Mr. Cohen, is that correct?

Mr. WILBUR J. COHEN (technical adviser to Commissioner for Social Security). Yes, Senator, that is substantially correct. The benefit would not go down to half, as Mr. Zimring said, though.

Mr. ZIMRING. No; it would not disappear. It would not increase, however, and it would decrease.

Mr. COHEN. That is correct. And eventually, as Senator Lucas pointed out, in the course of many years, it would go down only to $10, which is the minimum benefit for a person who is fully insured.

The CHAIRMAN. That is, under the present law?

Mr. COHEN. Under the present law. That is right.

The CHAIRMAN. And under H. R. 6000 it would go down to $25?

Mr. COHEN. That is correct.

Senator KERR. May I ask a question at that point, Mr. Chairman?

The CHAIRMAN. Yes, Senator Kerr.

Senator KERR. Now, if H. R. 6000 is passed on a basis which covers all employees of municipalities and similar identities who do not have their own retirement system, would that within itself take the group of employees here being discussed back under the act, so that their history would be uninterrupted except for that period of time between the day they were taken over by the municipality and the date of the passage of H. R. 6000 with that language in it?

Mr. ZIMRING. Not necessarily, Senator Kerr, because in all of these properties the men, through their organizations, have separate pension systems supplementing social security, arrived at by collective bargaining. They set them up either on an actuarial reserve basis or on a different basis, and in most instances when the municipalities took over the private operations they also took over the collective-bargaining agreement plus the pension agreements that existed when they were under private ownership and control. And the pension systems that are in effect on these properties not publicly owned have been arrived at and are being arrived at through collective bargaining. So they have pension systems. Now, whether one can call them public pension systems—they are not merged with the State-wide pension systems or municipal employees' pension systems; they are separate and apart as a rule.

Senator KERR. Do all of them have such systems?

Mr. ZIMRING. Yes.

Senator KERR. In each instance that you have referred to, when they were taken over, they already had in effect a pension system arrived at through collective bargaining, and which has been ratified and is being carried out by the new employer?

Mr. SPRADLING. That is correct.

Mr. ZIMRING. Yes.

Senator LUCAS. If I might follow up the first question that was asked, let me ask you about the employees who, at the time of the transfer to the municipal government, did not have the full coverage. How eventually would their benefits be affected? Or would they be eventually lost completely?

Mr. ZIMRING. If I may answer that, you are right, Senator. Those benefits, in the case of employees who were not fully covered, would be reduced zero in time.

Senator LUCAS. If they had not received full coverage, in other words, at the time of the taking over by the municipal government of Chicago, they would ultimately lose all of the benefits they had put into the plan?

Mr. ZIMRING. That is correct.

Senator LUCAS. What about the employees that had been hired since the date of the transfer to the public ownership? Do they have any protection under this bill?

Mr. ZIMRING. They do not. Those employees who have been hired since the date of acquisition of the property by the public agency would not have any protection under H. R. 6000.

Senator LUCAS. Then if I am correct, there are two distinct problems for this committee to consider.

Mr. ZIMRING. In connection with my answer to your last question, Senator, if a property should be acquired from now on, that is, from 1950 on, new employees hired by that newly acquiring agency, the public agency, would be automatically covered. And you would have the anomalous situation of the employees, for instance, of the Chicago Transit Authority, which became publicly owned in October 1947, the new employees, hired subsequent to October 1947 by the Transit Authority, not being covered by the act, if H. R. 6000 were not amended; while the employees that were on the pay roll of the Chicago surface lines on the date of acquisition by the Chicago Transit Authority would all be covered.

Senator KERR. I would like to ask this question, then. As a general thing, do these pension contracts arrived at through collective bargaining have a provision to pay the employee upon the reaching of a certain age a certain amount, less whatever they may be at that time receiving from OASI?

Mr. ZIMRING. The pattern of pension agreements is a mixed one, Senator Kerr.

Senator KERR. With reference to these particular employees, what is the general pattern?

Mr. ZIMRING. With reference to these particular employees we are discussing, that changed their status from private employees to public employees?

Senator KERR. You told us that their pension programs carried right over into the new set-up.

Mr. ZIMRING. Yes, they were distinct and not related to the amount of social security benefits. They were separate benefits set up under separate provisions, either a separate agreement, or within their wage agreement, that did not state that their total pension inclusive of social security shall be thus and so.

Senator KERR. But their pension programs generally were on the basis that they would receive a certain amount as a pension, or, that is, for life, upon retirement, at a certain age, irrespective of what they might have under OASI or any other program?

Mr. ZIMRING. And I might say, in fairness, that, of course, those standards of the private pension agreement were considered in the light of the existing and expected benefits from social security.

Senator KERR. But that is the general situation?

Mr. ZIMRING. That is the general situation. In fact, Senator, in the Chicago Transit Authority present agreement covering pensions there is an additional clause where the Chicago Transit Authority sets aside 1 percent, as had been done by the private company before acquisition, and the men set aside 1 percent of their earnings into a separate fund, in order to guarantee to the men in addition to their pension benefits under the wage agreement, so to speak, their primary social security benefits that they had at the time that they were taken over by the public agency; with the thought that ultimately they will

be brought under the social-security program and then they would pay the taxes directly to the Government.

Senator KERR. Is not the general pattern of pension agreements more and more becoming one that has this characteristic: that the employee will receive a certain amount, and that the employer will pay that amount of that certain amount which that employee is not receiving under OASI?

Mr. ZIMRING. That has been the pattern developed in the most recent months. But they have been applicable largely to noncontributory plans.

Senator KERR. And they are not features of the group of employees which you represent?

Mr. ZIMRING. No. These employees represented by this union have followed the policy of trying to establish sound plans based upon contribution by the employee as well as the employer to a reserve.

The CHAIRMAN. Thank you very much.

Senator KERR. I would like to ask one more question.

The CHAIRMAN. Yes, Senator.

Senator KERR. On these programs, either the company sets up certain funds or the company and the employees set up certain funds to provide for the payments of the benefits thus specified which were over and above the amount which both the employers and the employees were paying in to social security?

Mr. ZIMRING. That is correct.

The CHAIRMAN. All right, Mr. Spradling.

Mr. SPRADLING. H. R. 6000 does, in a sense, recognize the problem I have outlined to you. It fails, however, to provide definite assurance that the gross inequities presented by the transfers to public ownership will be fully and completely met. As we understand section 210 (a) (8) (B) of H. R. 6000, employees of a privately operated transit system taken over after 1936 are covered if they were employed by the private system at the time of transfer to public operation and had been employed prior to that time. Employees hired after public operation began are not covered. For example, employees of the Chicago Transit Authority who were employed by the privately operated system at the inception of public operation in 1947 are covered, but those hired since that time are, under H. R. 6000, without protection under the act. The result would be that some of the employees of the authority will enjoy the protection of the act and an ever-increasing number would have no such protection under the law. Employees of systems such as Detroit or Seattle, which were publicly owned prior to 1936 would be entirely excluded.

Moreover, the protection afforded the limited number of employees covered by H. R. 6000 may well be illusory, for section 210 (a) (8) (B) further provides that as to a transit system acquired prior to 1950 a political subdivision operating the transit system may exclude all of its employees from the protection of the act by simply filing within a stated period a statement with the collector of internal revenue to the effect that it does not favor the inclusion of any of the individuals who became employees in connection with the acquisition of the private transportation system by the political subdivision. This is indeed a curious kind of protection for such employees.

There is a further incongruity in that employees of any private systems taken over by a State governmental unit after 1950 apparently will have automatic coverage (H. Rept. No. 1300, 81st Cong., 1st sess., p. 11).

The act does provide for a system of voluntary coverage in section 218 by agreement between a State and the Social Security Administrator. In the opinion of most experts, as with the Advisory Council on Social Security which was appointed by your committee during the second session of the Eightieth Congress, automatic coverage is necessary as opposed to voluntary coverage. In addition the agreements are terminable by the Administrator for failure of the State to carry out its agreement, and in such cases the employees who came within the agreement can never again come under the set-up (sec. 218 (g) (2) and 218 (g) (3)). Moreover, the State may terminate the agreement for any reason after 7 years of operation (sec. 218 (g) (1)). These provisions, in our opinion, are administratively unworkable. They give no real assurance that the employees would be brought within the scope of the social-security program.

Moreover, according to the report of the House Committee on Ways and Means on H. R. 6000, an employee who is working in a transit system operated by a municipality or political subdivision which was taken over from another political subdivision would not be covered even though his employment with the predecessor public instrumentality was covered employment because of the fact that the administrator of the Social Security Act in the respective State had entered into a voluntary agreement providing for coverage of the employees of such instrumentality (H. R. 1300, p. 75, 81st Cong., 1st sess.). It is clear, therefore, that the process of voluntary agreement will not serve to adequately insure these employees of protection.

There is, of course, no basic reason why all employees engaged in proprietary activities of Government should not be included under the social-security program. Your Advisory Council on Social Security so recommended (old-age and survivors insurance, 80th Cong., 2d sess., S. Doc. No. 149, Apr. 20, 1948, p. 25). We urge you to amend H. R. 6000 in accordance with our suggestions.

The CHAIRMAN. Mr. Spradling, have you or your counsel prepared an amendment?

Mr. ZIMRING. No; we have not. We wanted to reserve, if we could, the privilege of filing another memorandum, perhaps explaining some of these matters in detail, and perhaps suggesting amendments.

The CHAIRMAN. Yes, sir. We will be pleased to have you do so, and we would be very glad to have you suggest the amendment, that is, formulate it, for our guidance, at least, and our information.

Is there anything else you wish to say to us?

Mr. SPRADLING. I believe that is all.

The CHAIRMAN. Thank you very much for your appearance, and we will be glad to have you file the supplemental memorandum that you speak of. And I would be pleased, as chairman of the committee, to have you include the suggested amendment.

Mr. SPRADLING. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Joseph F. Fahey?

You may be seated if you wish. Please identify yourself for the record.

STATEMENT OF JOSEPH FAHEY, BUSINESS AGENT, DIVISION 589, AMALGAMATED ASSOCIATION OF STREET, ELECTRIC RAILWAY AND MOTOR COACH EMPLOYEES OF AMERICA, AFL, BOSTON, MASS.

Mr. FAHEY. I am Joseph Fahey, business agent of division 589, Boston, of the Amalgamated Association of Street, Electric Railway and Motor Coach Employees of America, American Federation of Labor.

Division 589 represents approximately 6,000 employees of the Metropolitan Transit Authority. Most of these employees were originally employees of the Boston Elevated Railway Co. prior to August 29, 1947. The Boston Elevated Railway Co. was a privately owned and operated company, and its employees were covered by the old-age and survivors insurance provisions of the Social Security Act. It operated in Boston, and in the metropolitan area. In 1947 the Boston Elevated Railway Co. was acquired, pursuant to State legislation, by the Metropolitan Transit Authority, an instrumentality of the Commonwealth of Massachusetts. The MTA presently operates passenger, streetcar, subway, and bus service in Boston and vicinity.

Senator KERR. Pardon me. You say that the Metropolitan Transit Authority is a State agency?

Mr. FAHEY. It is a subdivision of the State, sir.

Senator KERR. And is the transportation system, then, owned primarily by the State rather than by the city of Boston?

Mr. FAHEY. Yes, sir.

As a result of the change to public operation, our members ceased to be covered by the provisions of the Social Security Act. The loss of benefits under that legislation has been detrimental to the welfare of our members. The statement of Mr. Spradling, our international president, has shown how the transfer from private to public ownership subsequent to 1936 does operate to the disadvantage of employees of the public operation who were formerly employees of the private company taken over by the governmental unit.

Senator KERR. May I ask a question, there, Mr. Chairman?

The CHAIRMAN. Yes, Senator.

Senator KERR. You are familiar with the pension contract which the private employees had before it was taken over by the State?

Mr. FAHEY. Yes, sir.

Senator KERR. Was it a contributory contract?

Mr. FAHEY. Not at that time, sir. It was a contributory propostion, but it was not funded and was strictly an assessment matter whereby the employees paid half the cost and the employers paid the other half.

Senator KERR. Then it was contributory?

Mr. FAHEY. But not on a funded basis.

Senator KERR. Not on an actuarial reserve basis?

Mr. FAHEY. That is right.

Senator KERR. Now, was the amount that the company paid and the employees paid at that time programed separate and apart and in addition to the amount which the employees and the company paid the Federal Government for the old-age assistance program?

Mr. FAHEY. That is correct, sir. It was separate and distinct.

Senator KERR. When you went under the operation of the Metropolitan Transit Authority, or since that time, has there been a change

made in the pension program of the employees as between them and the Metropolitan Transit Authority?

Mr. FAHEY. Yes, sir; there has.

Senator KERR. Would you give us the benefit of the information about its detail?

Mr. FAHEY. There has been a contributory pension system between the Metropolitan Transit Authority and the employees.

Senator KERR. It has been worked out?

Mr. FAHEY. It has been worked out to some degree.

Senator KERR. Now, then, does that operate on a contributory basis?

Mr. FAHEY. That is correct, sir.

Senator KERR. And is it on an actuarial reserve basis?

Mr. FAHEY. Yes, sir.

Senator KERR. And in the negotiation of that contract, was that fact that the employees were no longer under social security one of the elements of consideration?

Mr. FAHEY. No, sir. That was not considered.

We were trying to set up our pension on a contributory basis with the private company. And at that time, the act of the legislature created this MTA authority, and, of course, our collective bargaining ceased with the private company, and we had to wait until the State had set up this authority to take over.

Senator KERR. Does the new contract make provision for a pension program which, on the one hand, now collects from the employees an amount as great as or greater than that which they formerly contributed both under social security and to their own employer-employee contract? And does the contract now in effect by reason of the total amount of contributions thus made, both by the employer and the employee, amount in benefits to as much as or more than the combined benefits of the program when it was dual in character, that is, when it had both the social-security contributions and benefits and the employer-employee contributions and benefits?

Mr. FAHEY. Well, in some cases, sir, it doesn't amount to as much as the old pay-as-you-go pension plan we had plus social security. In some instances, it does amount to the same benefit.

Senator KERR. Or as much as?

Mr. FAHEY. Or as much as the same benefit.

Senator KERR. In some instances, does it amount to as much as or more?

Mr. FAHEY. Yes; in some cases it does.

Senator KERR. Now, is it such a situation now that the benefits, whether more or less, are in proportion to the contributions, more or less?

Mr. ZIMRING. They are not, Senator. The situation in the Boston Elevated, prior to acquisition in 1947, was that there were current demands for the establishment of a sound pension plan in lieu of the pay-as-you-go, a fixed amount per member, and it didn't fluctuate with service or prior earnings. They wanted a system established on the basis of an actuarial reserve, toward which the employees were willing to contribute much greater amounts than they had formerly contributed, with proportional increases in the contributions by the employer, of course. At the time that that matter was being negotiated, the Legislature of the Commonwealth of Massachusetts estab-

lished this authority, and they took over the collective-bargaining functions.

Senator KERR. Took over all the functions?

Mr. ZIMRING. Took over all the functions, including collective bargaining. Collective bargaining is guaranteed in the act with reference to our employees. The problem on collective bargaining on pensions as to all of these properties, including the publicly owned, has been, over the years, that of following the standards of comparable large operations. So they tried to establish the same type of contributory reserve plan as was already in effect on similarly operated privately operated companies.

Then they continued the negotiations with the management, representing the public authority, and an actuarially sound plan was worked out by the two parties, which provides for 5 percent of wage contribution by the men. Formerly it had not exceeded more than a half to 1 percent of the earnings on a pay-as-you-go basis. So that proportionately theer was a five-time increase in the contribution by the men toward the pensions, but there was no such change in the total amount of benefits to the men when you include both social security and the new pension that they would earn. But the new pension was predicated upon prior service, length of service, varied pension. The man with longer service got a larger pension. The men in a classification earning on an average a higher wage would get a somewhat higher pension than the ones in the lower classifications and men with shorter periods of active service prior to retirement.

Senator KERR. Under that contract which provides for a contribution by the employee of up to 5 percent, did that involve an equal contribution by the employer?

Mr. ZIMRING. In that case it involves an equal contribution by the employer, although the pattern of our contracts is 2 to 1. In the transit agreement, here, there is a provision for $8 a month for pensions contribution, and the employer $4 a month, a ratio of 2 to 1. But in Boston, the ratio is equal, and it is 5 percent for each party.

The CHAIRMAN. All right. You may proceed, Mr. Fahey.

Mr. FAHEY. Such employees either have their benefits substantially reduced or lose their benefits entirely. It is unfair that these workers and their families should be deprived in whole or in part of the benefits they expected to acquire when they paid such taxes. The taxes paid by these employees and by the Boston Elevated Railway Co. since January 1, 1937, amount to substantial sums. The inequity which these employees suffer is exemplified by the fact that they lost their benefits under the Social Security Act through circumstances over which they had no control. Where an employee leaves an occupation covered by the act and enters employment exempted from its coverage, he does so normally with full knowledge of the consequences concerning his benefits and contributions under the act.

Employees of the Boston Metropolitan Transit Authority did not, however, act of their own volition. As a practical matter, they had no real choice but to follow their jobs when they were taken over by the MTA. Under the existing act the substantial contributions made by our members and their former private employers would be lost since there is no possibility of transferring such sums to another pension fund or of refunding such sums to our members.

H. R. 6000 now pending before your committee does not adequately meet our problem. That bill provides that in the case of employees of transportation systems operated by any political subdivision or instrumentality of a State which began its operations after 1936 and was acquired prior to 1950, employees of that system who were also employees of the predecessor private company shall have the protection of the act. At the same time, however, H. R. 6000 provides that the employees may not have such protection if the political subdivision within a stated period files a statement with the Collector of Internal Revenue to the effect that it does not favor the inclusion of an individual who became an employee in connection with the acquisition of a private transportation system by the political subdivision. This is a kind of now-you-have-it, now-you-don't protection. The Federal Government previously protected these same employees. There is no fairness in limiting the protection of these employees now. Moreover, the employees of the MTA who became employees subsequent to August 29, 1947, do not under H. R. 6000, receive any protection under the social-security program.

Senator KERR. Well, now, in that connection: They pay nothing by the contributory method into the system, do they?

Mr. FAHEY. You mean the employees?

Senator KERR. The ones you just referred to, those who became employees subsequent to August 29, 1947.

Mr. FAHEY. That is correct, sir.

Senator KERR. They pay nothing to it, and their employer paid nothing into it?

Mr. FAHEY. That is right, sir.

Senator KERR. And therefore they receive no benefit from it?

Mr. FAHEY. That is right.

Mr. ZIMRING. But those employees that had been hired the day before the act was issued are covered.

Senator KERR. They would not be covered unless they had paid contributions for a certain payment period, would they?

Mr. ZIMRING. We are talking about what is under the provisions of H. R. 6000, and they would be automatically covered. All those on the pay roll at the date of acquisition would be covered, unless the public authority were to write a letter to the Internal Revenue Department, which would not cover everybody. You couldn't uncover those particular ones. But assuming that H. R. 6000 were enacted as it reads now, those employees who were on the pay roll on the date of acquisition would be covered.

Senator KERR. And would receive minimum benefits, although they had not made contributions, nor had their employer made contributions, for that minimum period which is required with reference to others?

Mr. ZIMRING. Oh, no. They were covered. Assuming that they were employees of a private employer on the date of acquisition, they had been contributing all along.

Senator KERR. But if they had just been employed the day before, they would not have been contributing.

Mr. ZIMRING. Well, for the period that they were employees of a private employer, they contributed.

Senator KERR. But I thought you said that the act, H. R. 6000, provided that if a man went on the pay roll the day before acquisition he would be automatically covered for benefits.

Mr. ZIMRING. Yes, he would. Of course, he would.

The CHAIRMAN. You will find that on page 4 of the analysis, Senator.

Senator KERR. Yes, I have been looking at it, and I have been trying my best to understand it.

The CHAIRMAN. The way we analyze it is this: See if this is correct:

> If a transit company was acquired by a governmental unit after 1936 but before 1950, individuals working for the company on the date it was taken over would be covered beginning in 1950, unless the employing governmental unit elects against such coverage—

and so forth, as you pointed out.

Mr. ZIMRING. Yes.

The CHAIRMAN. That is correct. But that would not be true of one employed 1 or 2 days after the governmental unit had taken over.

Mr. ZIMRING. No, not after. I said "before." If he was an employee at the time of acquisition, and they acquired a property that had been covered under the act, then he would be covered by virtue of the provisions of this H. R. 6000.

The CHAIRMAN. If H. R. 6000 is approved, he would be covered after 1950.

Mr. ZIMRING. That is correct.

Senator KERR. Now, then, what I am trying to determine is what the fact that he would be covered means to him. And what I have in mind particularly is this: He would be covered on the basis of meeting the requirements of the minimum period of quarters of contribution by him and the employer, with the benefits which are set forth for such contributions for such minimum number of quarters.

The CHAIRMAN. As I understand it, compulsory coverage of the employees of publicly owned transit companies under H. R. 6000, where the transfer or transition of the property from private ownership to a governmental unit occurred after 1936 but before 1950, would continue to be maintained.

Mr. ZIMRING. That is our understanding, Senator.

The CHAIRMAN. That is correct, is it not, Mr. Cohen?

Mr. COHEN. Yes. I think the difficulty that you are having, Senator Kerr, is that he would be covered in the future.

Senator KERR. And on the basis of contributions made.

Mr. COHEN. Contributions made, and on the basis of his wages beginning in 1950, under the bill.

Senator KERR. He would not have a vested right.

Mr. COHEN. No, sir.

The CHAIRMAN. He would not have ripened benefits. That is, he not have become fully insured, or anything of that kind.

Mr. COHEN. He would not have had any credits for the period prior to 1950, because no contributions had been collected for that man between 1947 and 1950. But he would begin to accumulate, then, in 1950, and as he earned the number of quarters, he would then become eligible.

Senator KERR. On the basis of the contributions made by him and his employer, but not as a matter of right nor as a matter of arbitrary

actuality, but insofar as the opportunity to acquire benefits is guaranteed to him.

Mr. COHEN. That is correct. It would put him in the same status as any other person, beginning in 1950.

The CHAIRMAN. All right. You may proceed.

Mr. ZIMRING. But it is clear, is it not, Senator, that the employee hired after that date would not have a chance to acquire such eligibility?

The CHAIRMAN. Until 1950. Because the new system, that is, the system that passed into the governmental units' hands, is not brought under the House bill until 1950. Is that right?

Mr. ZIMRING. That is with reference to the employee who was on the pay roll at the date of acquisition.

The CHAIRMAN. That is right.

Mr. ZIMRING. He would not acquire any rights in Chicago, for instance, between 1947 and 1950. He made no contribution.

The CHAIRMAN. That is right.

Mr. ZIMRING. But he would begin to acquire the right to contribute to the plan and acquire eligibility rights under the plan from 1950 on. However, the employee that was hired the day after the property was acquired by the Chicago Transit Authority, for instance, not the day before but the day after it was acquired, would not have the right even beginning with 1950 to contribute to the social security program, nor to acquire any eligibility rights with reference to his benefits, even after 1950. And you would have these two classifications of employees, employees hired since the date of acquisition and employees hired before the date of acquisition.

The CHAIRMAN. Is that correct as you understand it, Mr. Cohen?

Mr. COHEN. That is correct, Senator.

The CHAIRMAN. Now I think we are clear.

All right, Mr. Fahey.

Mr. FAHEY. We feel that there is no reason why these employees should not be protected. We will have an anomalous situation if it should work out that the employees of the private company would have protection and those employed by the MTA itself in the first instance would not. We also approve the general position of our international to the effect that all employees in State or municipality operated transit systems should be afforded the protection of the act.

Provisions of section 218 of H. R. 6000, which propose to establish a voluntary coverage system by agreement between a State and the Social Security Administrator are, in our opinion, unsatisfactory. Expert opinion is to the effect that automatic coverage is necessary as opposed to voluntary coverage. Moreover, the voluntary agreements are terminable by the Administrator for failure of a State to carry out its agreement, and in case of such termination the employees covered by the agreement apparently can never again be covered. The State may, moreover, terminate the agreement for any reason after 7 years of operation. The House report on the bill, No. 1300, also indicates that even though a voluntary agreement covering these employees were executed, the transfer of the MTA to another public authority would result in a loss of coverage. These provisions would not result, in our opinion, in coverage for our membership. They are admin-

istratively unworkable. We believe these employees should be covered in full by the statute without any escape clause.

We urge your committee to support our position and to report an amendment to the act to protect the employees we represent against the loss of benefits under the statutes.

The CHAIRMAN. Yes, sir.

We thank you very much for your appearance here. And your position is the same as taken by Mr. Spradling?

Mr. FAHEY. Yes, sir.

The CHAIRMAN. Mr. Eugene Byrne? Mr. Byrne, you may be seated if you wish, and identify yourself, please, for the record.

STATEMENT OF EUGENE J. BYRNE, LEGISLATIVE CHAIRMAN, CIVIL SERVICE FORUM, CITY OF NEW YORK, NEW YORK, N. Y.

Mr. BYRNE. My name is Eugene J. Byrne. I am the legislative chairman of the Civil Service Forum of the City of New York.

Mr. Chairman and members of the committee, attempts to bring civil-service employees within the scope of the United States Social Security Act were sponsored by the former Senator Wagner on several occasions and each time the Senator amended his bill at the requests of the representatives of the several civil service organizations because of the damage that might be created to their actuarially sound pension system.

The Civil Service Forum and other civil-service employee organizations, representing thousands of employees throughout the State of New York who are members of sound actuarial pension systems, have been unanimous in their opposition to this legislation. These organizations fully realize that such amendment or amendments were not in the best interests of their members, and could, and probably would eventually spell untold harm to these employees of New York State and its political subdivisions.

After several attempts and a multitude of correspondence regarding this legislation, Senator Wagner accepted an invitation to attend a conference at the office of the Civil Service Forum in New York City on Saturday, January 20, 1944. In addition to the executive committee of the forum, representatives of the Police Benevolent Association, New York State Police Conference, Joint Committee of Teachers Organizations and Post Office Clerks were present.

The group pointed out the sections of the bill that were objectionable because the language did not preclude the possibility of absorption of existing actuarially sound pension systems. Substitution of more precise language was suggested to safeguard the rights and privileges of members of such existing systems. These rights and privileges include: Retirement at age 55, ordinary death benefits, accidental death benefit, accidental disabiltiy retirement, ordinary disability retirement, without fault or delinquency retirement, service retirement options which provide increased pension allowance for longer service, increased annunity allowance purchased by additional employee contributions, service credit for veterans while in the armed services during wartime, veterans' retirement age 50 after 25 years of service, loans on annuity contributions, withdrawal of excess contributions at retirement, refund of interest on contributions after eligibility to retire, selection of lesser retirement allowance to provide benefits to

surviving member or members of family, and other such benefits not provided under the social-security law.

Senator Wagner assured the employee representatives that it was not his intention to impair in any way the rights of Government employees already enjoying and protected by adequate pension rights and that he was receptive to any proposal which the representatives of the employees felt would afford them greater protection. Accordingly an amendment was proposed which provided that—

such compacts cannot be entered into between the Social Security Board and the individual State, or with the individual political subdivision of any State where the individual State or individual political subdivision has established and maintains a pension, annuity, and benefit or retirement fund or any similar fund by whatever name called, by virtue of the authority of the constitution or statutes of a State, provision of a municipal character, or ordinance of a municipality or other political subdivision.

Mr. Wagner then stated that if it were possible to devise stronger language, "I would put it in the bill." The Senator was of the opinion that this legislation was for States without retirement plans for public employees or with inadequate laws. He believed such States and municipalities should be induced by the Federal Government to make better provisions for their superannuated or disabled personnel, but that the Federal Government should not interfere where existing pension laws are adequate or show signs of progress toward equitable amendments.

On October 6, 1949, the lower House of the Eighty-first Congress passed a bill known as H. R. 6000. This bill does not contain the protection requested over 10 years ago and again the representatives of all civil-service employees throughout the State of New York and its political subdivisions are united in asking that this same amendment be enacted before the passage of H. R. 6000 by the Senate. While it is true that legislation of this kind may be helpful in some States, and certainly the public employees in New York State have no objection to these States participating in social security, they do feel that this bill should be amended in accordance with the proposal cited above.

For the past 40 years civil-service employees throughout New York State have labored increasingly to gain adequate pensions and have contributed millions of dollars into their respective pension systems. Thousands of retired public employees are enjoying the fruits of their labors and contributions to these actuarial systems maintained by employer-employee contributions which provide benefits far beyond the realm of Federal social security. The benefits under the proposed amendment to the social-security law are much less than the benefits of the actuarial systems now operating under law in New York State. The organizations representing the vast majority of civil-service employees throughout New York State definitely want no part of social security.

We cite for the attention of your honorable body that over 90 percent of the contributions of the members of the various actuarial pension systems in the city of New York are invested in municipal, State, and Federal securities. These investments due to their interest earnings are an economic factor to the city government which will be eliminated should the present systems become absorbed or inoperative as a result of the proposed legislation. The economics of State finances will be

similarly affected with regard to the New York State employees' retirement system.

The Civil Service Forum is not opposed to the extension of the benefits of social security to employees in any of the several States or their political subdivisions where adequate pension systems are not now in effect.

The Civil Service Forum of the State of New York and its component organization, the Civil Service Forum of New York City, respectfully urge your support and favorable action for an amendment to H. R. 6000 to exclude any State or political subdivisions of any State which now maintain and operate a pension, annuity, or retirement system in accordance with State or local legislation.

I should like to point out, Mr. Chairman, that in the actuarially sound systems in New York City there is invested in Federal and State bonds over $839,000,000. The retirement systems in New York City, which include the New York Fire Department, the New York Police Department, the Teachers Retirement System, the New York City Employees Retirement System, hold $573,816,949 worth of New York City bonds, and we hold in excess of $258,000,000 in Federal bonds. The cash available for investments is approximately $6,000,000. Adoption of this amendment and subsequent contracts will mean the loss of a ready market for almost a billion dollars' worth of bonds. If that happens, communities may have to offer a higher rate of interest to new purchasers of these securities in order to make them attractive.

Mr. Chairman, we sincerely hope that the proposed amendment of Senator Lehman, of New York, which I understand has been introduced, will be considered by the committee. And particularly where these retirement systems are actuarially sound, we urge that we be given the same protection that is being given to the Federal employees. We do not wish to be included in the Social Security Act.

The CHAIRMAN. Thank you very much for your appearance.

Mr. BYRNE. Thank you, Senator.

The CHAIRMAN. Statements have been received from the Sergeants' Benevolent Association of the New York City Police Department, signed by Sgt. James A. Sheridan, president, and Sgt. Eli Lazarus, legislative adviser; a statement from the Lieutenants Benevolent Association of the New York Police Department, signed by Joseph J. Regan, Jr., president; and a statement from the Minnesota State Employees Retirement Board signed by Ona A. Crune, secretary.

These statements will be inserted in the record at this point.

(The statements are as follows:)

LIEUTENANTS BENEVOLENT ASSOCIATION,
POLICE DEPARTMENT,
New York.

To the Senate Finance Committee:

GENTLEMEN: I appear before this honorable committee as the representative of the Lieutenants Benevolent Association of the Police Department of the City of New York, and I respectfully request that you consider favorably the amendments that have been proposed by Senator Lehman to H. R. 6000.

Police officers of the city of New York have no quarrel with the broad purposes of the Federal Security Act and we approve its desirable endeavor to extend the coverage of the social-security system to persons who presently have no pension benefits.

However, we are opposed to the original bill which provides that States may voluntarily make agreements with the Federal Security Agency to include

within the terms of the Security Act members of pension systems of political subdivision of the State, subject to a referendum of the members of such pension systems.

We have an adequate pension system for police officers in the city of New York. After 20 or 25 years of service, the choice of the officer, he may retire at a minimum pension of half pay. Today that means a minimum of $162 per month for patrolmen and $202 for lieutenants. And most police officers may retire at about the age of 50. (NOTE.—I can retire at 42 years of age.)

Under the circumstances it would create a hardship for a police officer to pay any more moneys to another pension system which would not pay him any benefits until he reached the age of 65.

We therefore feel that it is unnecessary for the Federal Government to extend the coverage of its old-age pension system to ours.

We are also of the opinion that our pension system might be endangered since there is no clear-cut provision in the original bill that declares that H. R. 6000 would merely supplement existing systems like ours and not replace it.

It might very well be that some communities have no provision for a pension system comparable to ours and perhaps you should enable such communities to come within the provisions of the FSA, but we respectfully urge that you report favorably on the amendment to exempt from the operation of FSA the Police Pension Fund of the city of New York.

JOSEPH J. REGAN, Jr., *President.*

STATEMENT OF THE SERGEANTS' BENEVOLENT ASSOCIATION OF THE NEW YORK CITY POLICE DEPARTMENT OPPOSING SECTION 106 OF THE SOCIAL SECURITY ACT OF 1949 INSOFAR AS SUCH SECTION MAKES POSSIBLE THE INCLUSION OF NEW YORK CITY POLICE OFFICERS UNDER THE FEDERAL SOCIAL SECURITY ACT

The Sergeants' Benevolent Association of the New York City Police Department represents approximately 1,000 superior officers of the New York City Police Department. It submits this statement to urge that H. R. 6000 be so amended as to exclude any possibility of its members being included under Federal social security.

At the outset, we wish to make it clear that we express herein no opinion as to the general merits of extending the Social Security Act as envisaged in H. R. 6000. We are solely concerned with section 106 of H. R. 6000. We strongly urge that such section be so amended as to exclude any possible agreement that would place New York City police officers under Federal Social Security.

The only valid basis for extending the coverage of the Social Security Act to people not now included in such act lies in the laudable desire on the part of our Nation's representatives to increase the economic security of our citizens. People who can look forward to a life of comfort and security in their old age are likely to be better citizens. The psychological benefit flowing from the contemplation of a secure future is undoubtedly a great boon to the individual and to the Nation. The Nation prospers when its citizens feel secure.

We feel that the secure future we now possess as members of the New York City Police Department is seriously jeopardized by section 106 of H. R. 6000. It is ironic indeed that a bill designed to increase the feeling of security among citizens generally, should have precisely the opposite result. Yet such is our case.

It has oft been noted that the lot of a policeman is not a very happy one. The hours are long; in prosperous times, salaries tend to lag woefully behind more lucrative private positions. The dangers are great and ever present. The criminal's bullet has ended many a promising police career. Every rookie policeman knows these things. Yet, year after year, the youth of New York strives to join the ranks of the New York City Police Department. One of the greatest attractions of the police force is the pension system we have enjoyed now for many, many years. It is inconceivable to us that our representatives should seek now to threaten this system, to change it and possibly thereby deprive us of benefits that originally impelled us to join the police department.

The House Committee on Ways and Means, in its report on H. R. 6000, lists three advantages presumed to accrue to members of existing State or city retirement systems who may in the future be covered by Federal Social Security. These are—

1. "Many employees in private industry have the protection of both the social-insurance system and supplementary private plans."

2. "The Federal program may provide types of protection not available under a State or local plan."

3. "In all instances it (the Federal plan) can serve as a basic protection to employees who shift between public and private employment" (p. 11, House committee report on H. R. 6000).

As to No. 1, we are not employees in private industry and do not have their power to force retention of supplementary private plans even when employers may wish to discontinue such plans. They have strong national and international unions. We have not. They have the extreme weapon of the strike. We have no such weapon. It is altogether possible that New York City, which now contributes substantially to our pension system, will object to making a further contribution to the social-security trust fund on our behalf. Economy-minded taxpayer groups may well chafe at this dual contribution for our future security. They may well use already existing provisions of the New York City pension law to discontinue payments to such retirement system. That law provides as one means of terminating membership in the retirement system:

"When any member becomes eligible to participate in another pension or retirement system supported in whole or in part by the city or State of New York" (ch. 18, N. Y. C. Adm. Code, sec. B18-37.0).

Best-laid plans go awry. We urge vehemently that this be prevented. We say humbly with the 10 minority members of the House Ways and Means Committee: "It would * * * be a mistake to take any action which might jeopardize these existing systems to which contributions have been made over long periods of time" (p. 158, House committee report on H. R. 6000).

As to presumed advantage No. 2, "The Federal program may provide types of protection not available under a State or local plan." This is most unlikely. The New York City Police Department is a close-knit family. If a member gets sick, he gets free medical service. There is a special ward set aside at New York's famed Bellevue Hospital for sick policemen. There are two police-department ambulances to transport any sick or injured policeman to such hospital, free of charge. Blood is readily donated by fellow police blood donors.

As to pension payments, the New York City retirement system is incomparably superior to the Federal system. After 20 years, a policeman may now retire at $1,025 per annum. Compare this with the $61 monthly maximum even under the "liberalized" Social Security Act of 1949. (See House committee report on H. R. 6000, p. 6.)

A policeman's widow is also amply provided for. The department assures her a minimum of $125 per month for performing trivial services that do not deprive her family of her constant care.

So as to types of protection, we're doing all right. All we ask is to be let alone. Whatever problems we do face may "more easily be adjusted to * * * changing needs through local and State action." (Quoted from House committee minority report on H. R. 6000).

As to this matter of "basic protection for employees who shift between public and private employment," we have no such unsteady, shifting individuals in our police department. Our job is a career job. There is no room in it for the logger who hops precariously from job to job.

But it is alleged by the majority report on H. R. 6000 that the provision for a referendum was included (H. R. 6000, sec. 106 (d)) "so as to assure those covered by adequate existing systems (such as * * * policemen) that adequate safeguards are present so that their present pension plans will not be destroyed" (House Committee Report on H. R. 6000, p. 11). To this we say, take away your threat and we'll need no safeguards. We don't want any bullet-proof vests; just stop shooting.

Furthermore, the bill is quite vague as to who will vote in this referendum. There is no assurance that only policemen will vote to determine our entrance into social security. What the "coverage group" will be is not too clear especially in view of the statement that, "In general, a coverage group comprises all the employees * * * of a political subdivision of a State."

A further important objection to being blanketed into the Federal social-security system lies in the fact that many of our members, due to pension contributions and withholding taxes, etc., already have 25 percent of their earnings deducted before they receive their take-home pay. Another 2-percent cut (and prospectively 3¼—see House Committee Report on H. R. 6000, table, p. 117) would not be palatable to us. Security in the future comes too high when it is purchased at the cost of a present depleted standard of living.

Federal employees covered under another retirement system are not included under the amended act. The post-office employees, for example, are exempt from the provisions of the act. Indeed, half the alphabet is used to specify those Federal employees excluded from the amended act. (See House Committee Report on H. R. 6000, pp. 73 and 74.) We ask only to be treated in the same fashion.

In summation, we entreat this Senate committee to exclude the members of the New York City Police Department from any possible inclusion under H. R. 6000. We urge that this committee adopt the views of the 10 minority members of the House Ways and Means Committee, so cogently expressed in their report:

"We recommend direct exclusion of * * * policemen who are already covered under their own retirement and pension systems. Their retirement systems are specifically designed for public employment and are better adapted to the needs of these groups than the broad social-security program. Moreover, in all cases, their retirements are greater and can more easily be adjusted to their changing needs through local and State action. It would, in our opinion, be a mistake to take any action which might jeopardize these existing systems to which contributions have been made over long periods of time" (House committee minority report on H. R. 6000, at p. 103).

Respectfully submitted.

SERGEANT'S BENEVOLENT ASSOCIATION OF THE NEW YORK CITY POLICE DEPARTMENT,
Sgt. JAMES A. SHERIDAN, *President.*
Sgt. ELI LAZARUS, *Legislative Adviser.*

Dated February 10, 1950.

STATEMENT OF THE MINNESOTA STATE EMPLOYEES RETIREMENT BOARD IN REGARD TO THE PROVISIONS OF H. R. 6000 WHICH EXTENDS THE PROVISIONS OF THE SOCIAL SECURITY ACT TO EMPLOYEES OF STATES AND THEIR POLITICAL SUBDIVISIONS AND INSTRUMENTALITIES, BUT EXCLUDES FEDERAL EMPLOYEES COVERED UNDER FEDERAL RETIREMENT SYSTEMS

ST. PAUL, MINN., *February 3, 1950.*

H. R. 6000 now before the Senate Finance Committee amends the Social Security Act to include public employees. It provides that before jobs covered by a public employee retirement system in effect when the agreement between the State and the Federal Security Administrator is entered into may be included in the original agreement, the State must request they be included, and the Governor of the State must certify that a written referendum was held and that not less than two-thirds of the voters voting voted in favor of being included.

We are certain that these provisions, including the provisions for a referendum, are wholly inadequate to protect the members of existing public employee retirement systems and the systems themselves for the following reasons:

1. It is two-thirds of the members' voting, not two-thirds of the membership who decide whether employees covered under existing public employee retirement systems would be covered under social security.

2. It does not require that a period of time elapse between the notice of the written referendum and the referendum.

3. It permits persons already retired to vote in the referendum.

4. It does not provide who would order the election or for the future operation of existing retirement systems.

5. Integration of existing systems with social security is not comparable to integration with industrial pension systems, nor can increased costs be passed on to consumers. It is the taxpayer who would pay, and if State and local retirement systems were liquidated, as they no doubt would be, it would be found social security alone would be entirely inadequate. The provision for termination of coverage after an agreement has been in effect at least 5 years, with 2 years notice, a total of 7 years, is practically no protection, and there would be no refunds to either employee or employer.

The following factors must also be considered:

(*a*) Insufficient understanding on the part of the State and the employees of what is involved and what costs would be.

(*b*) Propaganda is effective and in this case almost unlimited. It is at least misleading and does not present the true situation and all the facts.

(c) State legislatures would be led to believe social security was a bargain and would be influenced from the standpoint of cost not realizing that if employees were to be given the protection in old age afforded them by State and local retirement systems plus social-security benefits, costs would increase, not decrease. The cost of benefits, current and ultimate, is the same whether paid by the State, the Federal Government, the employee, or a combination of the three.

(d) The whole question of retirement benefits, benefits for dependents and so forth, is far too complicated for the average employee to realize or understand. From what they are told by advocates of the extension of social security coverage and most of the news items and magazine articles on the subject, they believe they would have both social security and State retirement benefits and that they can have all this "without added costs to either the employer or the employee" as one magazine article states it. Incidentally, many employees believe they would receive $150 per month under social security alone.

(e) Members of existing public employee retirement systems who did not understand the effect of the extension of social security would no doubt petition their representatives in the legislatures for legislation which would include them under social security and these representatives, not having all the facts, would grant their petitions and two-thirds of the members of existing systems voting, vote for coverage.

(f) The experience under our retirement fund act in effect since July 1, 1920, has been that State employees consistently have not made the election under the original act or as amended which was to their advantage and later when they realize the effect of their earlier decision, they immediately want the law changed to give them the advantage they would have had if they had made the right election when they had the opportunity.

(g) The Social Security Act would not and could not be amended to meet all cases and the employees would have to accept the result of their own vote as would the one-third who voted against it and those who failed to vote.

(h) Social security benefits cannot meet the needs of public employees nor does it give those covered the benefit of prior service credit as do public employee retirement systems.

(i) Under social security, single and widowed persons are penalized because they receive substantially less than does a married person with a wife 65 or over. This is not true of public employee retirement systems, although under many of them optional benefits are available at time of retirement so that the employee may have a plan fitted to his requirements.

(j) Under H. R. 6000, periods when employees are not working in covered employment reduces the amount of the social security benefit to which they will become entitled.

(k) Members have money invested in existing public employee retirement systems and over a period of many years they have acquired rights which they are depending upon. Among these rights is the right to a retirement benefit, the right of refundment in case of termination of service or refundment to a beneficiary upon death, as well as the right in many funds if public employment is terminated, to leave the sums to their credit in the retirement fund until reaching retirement age when they become entitled to benefits based upon service and average salary with no reduction because of a lapse in employment. These rights and benefits would be impaired by integration with social security.

We earnestly request that H. R. 6000 be amended as follows:

"Strike out section 218 (d) (1) (beginning with line 10, page 82, to and including line 17, page 83) and substitute therefor the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

Our request does not extend to public employees who are not covered under public employee retirement systems.

ONA A. CRUME, *Secretary.*

The CHAIRMAN. The committee will recess until Monday. We have assignments of witnesses for Monday, but after Monday of next week we will go over to the following Monday for further hearings.

(Thereupon, at 12:30 p. m., the committee recessed until Monday, February 18, 1950, at 10 a. m.)

SOCIAL SECURITY REVISION

MONDAY, FEBRUARY 13, 1950

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

The committee met at 10 a. m., pursuant to recess, in room 312, Senate Office Building, Senator Walter F. George (chairman) presiding.

Present: Senators George, Byrd, and Kerr.

Also present: Mrs. Elizabeth B. Springer, acting chief clerk, and F. F. Fauri, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will please come to order.

Mr. Davis, you are first this morning. We will be very glad to hear from you. Of course, your testimony will be of record and available to all members. The minority side of the table is vacated this week, practically, and on this side I expect some of the other members to report a little later.

STATEMENT OF JAMES P. DAVIS, DIRECTOR, DIVISION OF TERRITORIES, DEPARTMENT OF THE INTERIOR, WASHINGTON, D. C.

Mr. DAVIS. Mr. Chairman, I am not presenting a formal statement, and the actual presentation of the facts and arguments on which the case of Puerto Rico and the Virgin Islands in the social-security matter depends, will be by representatives of the two areas who are present, Dr. Antonio Fernós-Isern, the Resident Commissioner, in the case of Puerto Rico, and Mr. Roy Bornn, who is Director of Social Welfare in the Virgin Islands, for the Virgin Islands.

I should like to say, on behalf of the Interior Department, that we strongly support the desire of both of these areas to be treated, in matters of social security, on a parity with Americans elsewhere. We have long felt that there is simply no reason whatever, no sense, in an attitude which would deny to our fellow citizens in Puerto Rico, the Virgin Islands, Alaska, and Hawaii the same general benefits from the Federal Government, the same attitude of participation in their public affairs, the same grants to them as citizens, which we give to our citizens elsewhere.

We feel very strongly that this country, certainly in the present state of world affairs, simply cannot afford second-class citizens in any respect, that all of our citizens, wherever located, should be regarded by the Federal Government in the light of equality and with a desire to meet their needs and to assist them in working out their own problems.

I am very happy to report to you, sir, that all of the Territories, and most particularly the two with which we are concerned this morning, have made very great efforts and very great progress in recent years in meeting their own needs, their own difficulties, more or less under their own steam. We find in Puerto Rico a very remarkable transformation in the economic and social life of the islands over the past 10 years, a rapid development of education, of welfare services, a rapid development of industrial opportunities, a very rapid emergence into our national consciousness as an extremely progressive and valuable member of the great American system.

The same thing is true on a more modest scale in the Virgin Islands. They have progressed a great distance from the attitude of a few years ago, when we could only regard them as an area where we had to help the people to keep from starving to death. That situation has changed very greatly. There is in the Virgin Islands today a rapid development of tourist activities and business enterprises of various kinds. There are two important new hotels under construction in St. Thomas. There have been at least a dozen new hotels and guest houses of smaller size opened in the last 2 or 3 years. There is a great desire throughout the islands to do whatever can be done to improve their economic and social condition.

I had the privilege of being in both Puerto Rico and the Virgin Islands twice in recent months, in December some 3 weeks in the two areas, and just this week, in company with the Secretary of Interior, the Secretary of Agriculture, and the chairman of the Reconstruction Finance Corporation, on a visit particularly to St. Croix for a meeting of the Board of Directors of the Virgin Islands Corporation.

The CHAIRMAN. The Ways and Means Committee of the House directed a subcommittee to visit the area. Did they visit both islands?

Mr. DAVIS. I believe they did, in November or December.

The CHAIRMAN. I believe that subcommittee's report has not been made public. Has it been made available to you?

Mr. DAVIS. Yes. I am informed that the report was made public on last Monday. I have not yet had opportunity to examine it, because I was away most of last week.

The CHAIRMAN. The report has not been brought to my desk or to my attention as yet.

Mr. DAVIS. In view of all these facts, Mr. Chairman, we feel that the progress on the social side, in the improvement of living conditions and improved care for the needy dependents and others who are subject to social-security legislation in the islands is a vitally important phase of the general development in these islands in which we are so much interested.

With that general statement of the position of our Department in regard to the matter, Mr. Chairman, I should like to have these gentlemen, who are here, discuss more in detail their views about the legislation before you.

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

Mr. DAVIS. Thank you, Mr. Chairman.

The CHAIRMAN. I will call now the Director of Social Welfare of the Virgin Islands, the Honorable Roy Bornn.

STATEMENT OF HON. ROY BORNN, DIRECTOR OF SOCIAL WELFARE, VIRGIN ISLANDS

Mr. BORNN. Yes, Mr. Chairman.

The CHAIRMAN. You are the Director of Social Welfare of the Virgin Islands?

Mr. BORNN. That is right, sir. My name, sir, is Roy W. Bornn, and my position is Director of Social Welfare for the Virgin Islands of the United States.

The CHAIRMAN. We will be very glad to have you make what statement for the record you wish to make to us.

Mr. BORNN. Thank you very much, sir.

Since, Mr. Chairman, this is the first time that I am appearing before your committee, permit me to state further that I have been in the Government service in the Virgin Islands for the past 25 years, the last 14 years of which have been in the Department of Social Welfare, first as superintendent in one of our two municipalities, and then as director for all the Virgin Islands.

I am a native of the islands. I know the islands and their people at first hand, as one of them. I have shared their problems. I know their problems as one does who has grown up with them and who has dealt with them closely, intimately, and officially in directing the activities of our public-welfare organization.

Mr. Chairman, I deeply appreciate the opportunity afforded me by your committee to appear before you today to testify on the proposal contained in House Resolution 6000 to extend to the Virgin Islands the social-security program of the United States. I have testified several times before the Ways and Means Committee of the House of Representatives on this subject. Members of that committee sponsored a bill to include us in title V of the act providing for child-welfare services, and Congress enacted this bill, effective January 1, 1947, over 3 years ago.

Now the House of Representatives has included the islands in all portions of House Resolution 6000. Today I am privileged to come before you, a part of the highest legislative body in our land, to testify on this subject, which is of such vital concern to the people of the Virgin Islands.

Mr. Chairman, I have come to urge on your committee two principal items, first, that you include the Virgin Islands in all phases of this or any other social-security legislation which the Senate passes, and second, that you include the Virgin Islands in all such legislation on the same basis as the rest of our Nation.

We should be and we want to be included in the social insurances, the public assistances, the child welfare and medical programs, and we should be and want to be included in all of these on the same basis as other Americans living under the American flag. It is very true, Mr. Chairman, that our economy is poor, but we seek no special tax exemptions, no special consideration, no special benefits. But we also urge and plead and press that no provisions be inserted in or be permitted to remain in this bill, or in any other bill, which would deprive the Americans who live in the Virgin Islands of the full protection which our brothers on the mainland enjoy when old age

or blindness or other handicaps overtake them, or which would deprive the American children who live in this outpost of our Nation of the protection provided for our children who live on the continent. We are ready to share the same responsibilities that all other United States citizens carry to make this act work, and we also seek the same protections that our fellow citizens will enjoy.

Detailed justification of our plea has been made in the several testimonies I have made before the House, which testimony is available to your committee. Consequently, I shall not take your time to listen to all of these again and shall touch here upon only the most salient facts.

First, Mr. Chairman, the poor economy in general of the islands results in much unemployment, in low wages, and in low family incomes. In 1947, the median family income on the island of St. Thomas was $430 a year and on the island of St. Croix $339 a year. In St. Thomas it was less than one-fourth the median family income of small southern cities of the United States, while in St. Croix it was less than one-fifth. Under these adverse conditions, savings for old age are well nigh impossible. Many of the aged are totally destitute and helpless. Our Government is now giving regular public assistance of institutional care to 41 percent of the persons 65 years and over. In the United States, approximately 35 percent of this age group received assistance in 1944, but one-third of these received their aid through pension systems, leaving only 23 percent receiving public assistance and institutional care. In the islands, partly because of our poor economy and partly because of lack of the social insurance, nearly twice as many aged are dependent upon public assistance as in the United States.

Second, the same poor economy that creates a great need for public assistance and health and welfare services makes it doubly difficult for the islands government to raise the funds needed therefor. We pay real and personal taxes, inheritance taxes, luxury taxes, the Federal income taxes, and many others. But the total funds raised are grossly inadequate to support essential Governmental services. Consequently, we need Federal aid through the social-security program as badly as, or worse than, any other portion of the United States.

Third, in our 1950 budget the Virgin Islands devote to health, education, and welfare services 56.4 percent of their total expenditures. This is approximately the same as the percentage of Government income in continental United States devoted to these same services.

Besides, citizens of the Virgin Islands add their volunteer efforts to improve the picture. The Community Chest of St. Thomas alone raised $56,000 in the past 10 years, which has gone into countless services and assistances for the needy. Churches, the Red Cross, and several smaller benevolent societies have added their efforts to meet the problem which is widely recognized and greatly deplored in our islands.

Despite the best efforts of Government and organized charity, and despite the high percentage of Government expenditures going into health, education, and welfare services, the total result in aid to our needy people falls far below the minimum required for a minimum standard of living. The average public-assistance grant in the islands during October 1949 was $5.90 per person. I repeat that figure: $5.90

per person. That is only 19½ cents a day. We are telling people they must live, must pay rent, buy food and clothing, for 19½ cents a day. Please stop a moment to think what it means to live on 19½ cents a day. That is the over-all average. The old-age-assistance average, the highest in the group, is $6.77 a month or 22½ cents a day. Can you picture, Mr. Chairman, the hardship and want a 75-year-old must suffer if he exists on 22½ cents a day? The average for children is $3.63 a month—12 cents a day. Twelve cents a day to feed and clothe a growing child.

Mr. Chairman, can 12 cents a day keep a child growing, keep it safe from the evils of undernourishment and disease and delinquency?

The December 1948 old-age-assistance rates in the United States, the latest figures I have, range from $16.38 a month in Mississippi to $78.13 a month in Colorado. It is to remove inadequate rates like Mississippi's $16.38 a month that H. R. 6000 provides the favorable matching formula it contains for the States of the Union. But that distressing continental low of $16.38 a month is 2½ times the average rate in the Virgin Islands.

You may be thinking, perhaps, that the cost of living in the Virgin Islands is very low, so that 12 cents a day can buy more there for a child than in the States. Unfortunately, Mr. Chairman, that is not the fact. We have in the islands some welcome savings, because we have no costs for winter heating and winter clothing. But food and clothing prices are higher than in the United States, for we must import most of what we wear and eat, and the cost of freight and handling is added to mainland costs. A recent survey indicates that imported foods cost in the islands on the average 61 percent more than on the continent. Lower costs on the insufficient supply of locally produced meats, fruits, and vegetables do not offset this huge differential.

We are especially happy, Mr. Chairman, that we are included in the social-insurance provisions of H. R. 6000 on the same basis as the rest of the Nation. We believe we can make the retirement and disability programs work successfully in the islands on this basis.

The CHAIRMAN. Could you give the committee an idea of the average wage paid? How are your wages regulated? On an hourly basis?

Mr. BORNN. The Minimum Wage Act of the United States applies to all interstate commerce. At the present time, there is an industry committee group of rates under that Minimum Wage Act of the United States, based around the 40-cent minimum. There are some down to 30 cents and 32 cents and 36 cents, and so on. The local minimum wage in our act—we have a local act in St. Thomas and St. John—is 40 cents an hour for common labor. There is a special rate of 30 cents an hour which applies to workers in the domestic type of service.

The CHAIRMAN. Hours are limited to 40?

Mr. BORNN. Hours are limited to 44 hours a week.

The CHAIRMAN. Have you any idea about what percentage of your workers gainfully employed would be able to qualify under the Social Security Act as it passed the House, H. R. 6000? Or have you given much thought to that?

Mr. BORNN. I believe that about two-thirds of them would.

The CHAIRMAN. Two-thirds of your workers would be able to qualify?

Mr. BORNN. Two-thirds would be able to qualify. Much depends, of course, on whether the act finally covers agricultural labor.

The CHAIRMAN. Yes. A large part of your population is agricultural labor?

Mr. BORNN. We have 2,075 workers in agricultural labor out of a total of 8,500 workers.

The CHAIRMAN. About a fourth.

Mr. BORNN. About a fourth; yes.

The CHAIRMAN. All right, sir. You may proceed.

Mr. BORNN. We in the islands feel that the social insurances are the best long-range method of providing for the aged and the disabled, and our employers and employees have declared their intention to support and cooperate in these programs if Congress acts favorably on this measure.

At present there are about 5,000 to 6,000 persons in employment which comes under the retirement program as proposed in H. R. 6000. In addition, there are 1,120 persons in the municipal-government service who would probably elect to be covered under the Federal act. We do have in operation, established under local law, a retirement system for these municipal employees, but with our limited funds and the small size of the group covered, the benefits are necessarily inadequate. If the act is eventually amended to include these workers, these workers in Government service plus the 2,076 farmers and farm workers, our Virgin Islands total would be in the vicinity of 8,000 to 9,000 persons.

We are hoping very much that the act will include agricultural workers, for our Virgin Islands farming population want very much to be a part of the program. The small total of employment in the Virgin Islands would be absorbed, without even being noticed, in the big Federal program. But how important it would be, Mr. Chairman, to each one of our workers and their families to have this protection when old age and disability overtake them and how important it would be to the general economy of the islands to have the burden of caring for this large group removed from the public-assistance program.

As I pointed out a little while ago, we have 41 percent of the aged on public assistance, as compared with 23 percent in the United States.

The CHAIRMAN. H. R. 6000 provides for assistance for that group?

Mr. BORNN. It does, sir.

The CHAIRMAN. But on a 50–50 matching basis; does it not?

Mr. BORNN. It only provides for a 50-percent matching basis, instead of the 80 percent that is provided for the rest of the Nation.

If the retirement provisions are extended to the islands, in a decade or two the struggle to carry the public-assistance program will become easier. Until that time, however, our public-assistance burden will be about twice as great as on the continent. This is another cogent reason why we need in the islands now as favorable a matching basis for our public-assistance program as is provided for the most needy States on the continent.

Let us see, Mr. Chairman, how the public-assistance program would work out. I have some schedules prepared here, which, Mr. Chairman and members of the committee, you might like to look at.

Schedules A and B show that we have an active case load of 1,248 persons and a waiting list of 529 persons, or a total of 1,777 persons to be aided. If you turn to schedule D, this shows what the program would be if the even matching basis provided in H. R. 6000 were retained. Because of the need to include the long waiting list, the average grant per person would be only $7.55 a month. That would be a gain of only $1.85 a month over the present rate of $5.90. We would still be telling people that they must live on 25 cents a day. We would be expecting clients to exist on about 33 percent of the minimum basic requirements of life. The minimum basic requirements are estimated at about $27.50 a month.

But if Congress provide instead that the matching basis shall be the same as in the States, we could achieve a program that both you and we would be immensely happy and proud about.

Schedule C shows what this program would be like. In the social-security categories, 840 aged, blind, and totally disabled persons would receive assistance averaging $16 a month, and 875 dependent children would receive assistance averaging $12 a month. The island government would, of course, care for the partially disabled and for the children in foster homes at comparable rates, entirely on their own.

This, Mr. Chairman, would not only be a happy program; it would also be a realistic one. The local share of $7,578 a month, which is about $90,000 a year, could be met from local funds. The Federal share would represent about $230,000 a year, less than a quarter of a million dollars. The assistance rates, averaging $14 a month, would be very modest. But these would be a tremendous improvement over the existing rates. They would represent approximately 60 percent of the minimum basic needs for food, clothing, and shelter. We would achieve an improvement from 33 to 60 percent of the minimum budgetary needs of our relief families. It is perhaps of passing interest to remark that practically all of the quarter of a million dollars the United States would contribute to this program annually would find its way back to the United States within a few months after it was distributed here, in increased purchases of food and clothing from the continent. However, in passing through our islands, those dollars would have left a rich blessing in their wake.

Mr. Chairman, Virgin Islanders are citizens of the United States; they long wanted to be Americans and strived earnestly toward this goal for 50 years before their transfer to the United States from Denmark in 1917; after 33 years of experience and tutelage in the American way of life, Virgin Islanders are unanimous in their desire to remain American. Virgin Islanders fought and died for our country in the great war to preserve human rights and liberties only recently ended.

As in many other pieces of legislation, the Virgin Islands were at first forgotten when the Selective Service Act was passed for prosecution of that great war. But Virgin Islanders campaigned actively for congressional action to extend that act to the islands and, when this did happen and the draft calls did come, we answered them fully and enthusiastically.

Today we are pleading that Congress no longer forget the Virgin Islands in carrying forward its social-security program for the people

of our great Nation. For 15 years we have been excluded from these privileges enjoyed by other United States citizens.

Mr. Chairman and honorable members of this august committee, I ask you to end now that long period of neglect and omission.

Again I urge the two principal items of my plea, first, that you include the Virgin Islands in all the phases of this or any other social-security legislation which the Senate passes, and second, that you include them in all such legislation on the same basis as the rest of our Nation.

I thank you sincerely, sir, for the opportunity to appear before your committee to plead our case.

I rest it now in the hope that your committee and the Congress in its wisdom will act speedily to bring justice and help to the Americans who live in the Virgin Islands.

I thank you, sir.

The CHAIRMAN. We thank you for your appearance here.

Senator Kerr, do you have any questions?

Senator KERR. No questions.

The CHAIRMAN. Thank you very much.

Mr. BORNN. If there is any additional information that you would like to have, sir, I would be very happy to present it.

The CHAIRMAN. We will be very glad to call on you if we find that we need some additional information.

Mr. BORNN. Thank you.

(The material referred to is as follows:)

SCHEDULE A.—*Existing public-assistance program: Virgin Islands of the United States of America, October 1949*

[This covers regular monthly grants only and does not include medical assistance and emergency aid for food, clothing, rental, etc.]

	Number of persons	Average grant	Total grants
Proposed social-security categories:			
The blind:			
65 years and over	47	6.73	$316.50
18 to 64 years	18	6.36	114.50
Total blind	65	6.63	431.00
The aged: 65 years and over, exclusive of the blind listed above	570	6.77	3,860.25
The permanently and totally disabled: 18 to 64 years of age	112	6.42	718.75
Dependent children:			
Children in own family homes	370	3.63	1,342.50
Relatives caring for children	11	6.14	67.50
Total in proposed social-security categories	1,128	5.68	6,420.00
Categories not covered in H. R. 6000:			
Partially or temporarily disabled: 18 to 64 years of age	77	6.50	500.75
Children in foster-family homes	43	10.35	445.00
Total in categories not in H. R. 6000	120	7.88	945.75
Grand total	1,248	5.90	7,365.75

NOTE.—Average monthly expenditures are $7,500. Municipal appropriations for 1950 total $86,500 or average of $7,208.33 per month. Difference of approximately $350 per month is contributed by community chest ($200 a month) and public trust funds ($150 a month).

SCHEDULE B.—*Persons eligible for public assistance: Virgin Islands of the United States of America, October 1949*

	Now receiving assistance	Additional number eligible	Total
Proposed social-security categories:			
The blind:			
65 years and over	47	5	52
18 to 64 years	18	2	2
Total blind	65	7	72
The aged: 65 years and over	570	33	603
The permanently and totally disabled: 18 to 64 years	112	13	125
Dependent children:			
Children in own family homes	370	396	766
Relatives caring for children	11	45	56
Total in proposed social-security categories	1,128	494	1,622
Categories not covered in H. R. 6000:			
Partially or temporarily disabled: 18 to 64 years of age	77	17	94
Children in foster-family homes	43	18	61
Total in categories not in H. R. 6000	120	35	155
Grand total	1,248	529	1,777

SCHEDULE C.—*Proposed public-assistance program: Virgin Islands of the United States of America*

[On same matching basis as provided in H. R. 6000 for the rest of the Nation]

Group	Case load	Average rate per month	Total payment per month	Local share per month	Federal share per month
Social-security categories:					
Aged, blind, and totally disabled	840	$16	$13,440	$2,688	$10,752
Dependent children, including about 60 needy relatives caring for children	875	12	10,500	2,100	8,400
Total	1,715	.....	23,940	4,788	19,152
Local program:					
Partially disabled: 18-64 years	120	12	1,440	1,440	.....
Children in foster homes	75	18	1,350	1,350	.....
Grand total	1,910	14	26,730	7,578	19,152

NOTE.—The case load above is larger than that shown on schedule B because, with the raising of rates, it would be practicable and desirable to include some borderline cases not now eligible.

SCHEDULE D.—*Proposed public-assistance program: Virgin Islands of the United States of America*

[On the special dollar-for-dollar matching basis provided in H. R. 6000 for the Virgin Islands]

Group	Case load	Average rate per month	Total payment per month	Local share per month	Federal share per month
Social Security categories:					
The blind: Of all ages	79	$9.50	$684.00	$342.00	$342.00
The aged: Over 65 years, exclusive of the blind	603	9.00	5,427.00	2,713.50	2,713.50
The permanently and totally disabled: 18 to 64 years, exclusive of the blind	135	9.00	1,215.00	562.50	562.50
Dependent children: Children in own family homes	700	6.00	4,200.00	2,208.00	2,208.00
Total in proposed social-security categories	1,566		11,832.00	5,916.00	5,916.00
Local program:					
Partially or temporarily disabled: 18 to 64 years	94	6.50	611.00	611.00	
Children in foster family homes	61	10.50	640.50	640.50	
Adult relatives caring for dependent children	56	6.00	336.00	336.00	
Total in local program	211		1,587.50	1,587.50	
Grand total	1,777		13,419.50	7,503.50	5,916.00

NOTE.—This schedule is based on the case load now eligible as shown on schedule B, although, with the slight increase in assistance rates proposed, it is probable that the actual case load to be served may rise 5 percent to 10 percent. Such a case-load increase would further depress the low rates proposed above. Note that the rates in the local program would have to be practically the same as now. The best change would be in children's rates from $4.63 to $6. The aged would increase only $2.33 from $6.77 to $9.

SCHEDULE E.—*Size of monthly assistance grants: Existing public-assistance program, Virgin Islands of the United States of America, October 1949*

Categories	Number of monthly grants																Total number of grants
	Up to $3	$3.01 to $6	$6.01 to $9	$9.01 to $12	$12.01 to $15	$15.01 to $18	$18.01 to $21	$21.01 to $24	$24.01 to $27	$27.01 to $30	$30.01 to $33	$33.01 to $36	$36.01 to $39	$39.01 to $42	$42.01 to $45	$45.01 to $48	
The blind:																	
65 years and over					11	11	7	10	2	1	2			1	1	1	47
18 to 64 years				2	3	4	3	5	1								18
Total blind				2	14	15	10	15	3	1	2			1	1	1	65
The aged: 65 years and over		1	5	19	130	104	83	114	50	37	10	6	5	1			565
The permanently and totally disabled: 18 to 64 years		1		1	33	12	15	27	15	2	4	1		1			112
Dependent children:																	
Children in own family homes	12	33	86	93	114	28		2									370
Relatives caring for children			1		4		4	1	1								11
Total in proposed social-security categories	12	35	92	117	301	159	112	159	69	40	25	7	6	3	1		1,178
Partially or temporarily disabled: 18 to 64 years				6	19	13	11	17	3	5	3						77
Foster-family homes: Children in foster-family homes				3	5	10				5						20	44
Total not in social-security categories				9	24	33	11	17	3	10	3					20	130
Total number of grants	12	35	92	126	315	192	123	176	72	50	28	7	6	3	21		1,248

The CHAIRMAN. Dr. Fernós-Isern? Will you be seated, please, sir? You are the Resident Commissioner of Puerto Rico, here at Washington?

STATEMENT OF DR. A. FERNÓS-ISERN, RESIDENT COMMISSIONER OF PUERTO RICO

Dr. FERNÓS-ISERN. Yes, sir.

The CHAIRMAN. We will be glad to hear you on H. R. 6000.

Dr. FERNÓS-ISERN. Mr. Chairman, I wish to thank the committee for granting me the opportunity to testify with reference to H. R. 6000 and with special reference to that part of the bill which would extend certain titles of the social-security legislation to Puerto Rico where it is not now applicable. The background of present economic and social conditions in the island that so urgently justify the extension of this legislation to Puerto Rico was the subject of my testimony last March 7 before the House Ways and Means Committee. At this point, I wish to present a copy of that testimony as an appendix to my testimony today.

The CHAIRMAN. Yes. You may do so. Furnish it to the reporter.

(The testimony referred to is as follows:)

TESTIMONY OF DR. A. FERNÓS-ISERN, RESIDENT COMMISSIONER OF PUERTO RICO, ON H. R. 2045 AND H. R. 2892 SOCIAL SECURITY FOR PUERTO RICO

I wish to speak in support of the principles which inspire H. R. 2045 and H. R. 2892. These bills would apply certain titles of social-security legislation to Puerto Rico which are not now applicable to Puerto Rico.

I will principally concern myself with the presentation of those facts which will give us the background of the present economic and social conditions in Puerto Rico, so that the urgent need for the application of this legislation to Puerto Rico may be objectively considered.

Mrs. Goodsell, director of public welfare in Puerto Rico, who is ready to testify here, subsequently, will make reference to the specific problems which the welfare program of the insular government of Puerto Rico confronts.

The people of Puerto Rico, a community of over 2,000,000 American citizens, live within the United States political and economic system, in a subtropical island with an area of 3,550 square miles. Within the common tariff, free trade is supposed to exist between the island and the mainland. Such was the evident intent of Congress when it first established in 1900, those basic economic relationships between the island and the mainland which have prevailed for a period of nearly 50 years. Legislation to that end was first enacted 2 years after the cession of the island to the United States as a result of the Spanish-American War, which took place in 1898.

According to that legislation, importations into Puerto Rico from countries other than the United States are automatically subject to the same rates as if imported into the United States. No duties are imposed on merchandise shipped from Puerto Rico to the mainland or vice versa. United States internal revenue laws do not apply to Puerto Rico but the tax arrangement in both areas is such that within each area the tax burden on merchandise shipped in from the other area is equal to the tax burden imposed upon local merchandise.

The whole Puerto Rican market, with 1,000,000 potential consumers in 1900, and with over 2,000,000 today, thus became and has been, since that year, an almost exclusive market for mainland producers who enjoy the same tariff protection therein as in the continental area and are free from United States internal revenue taxes on the goods they sell in Puerto Rico. They are subject only to Puerto Rico's internal revenue taxes, paid at an equal rate with domestic Puerto Rican products; these taxes are equivalent to State taxes in the mainland.

Reciprocally, Puerto Rican products find a free market on the mainland where they sell at current domestic prices. Puerto Rican products, also free from United States internal revenue taxes, are nevertheless subject, when shipped to the mainland, not to the local Puerto Rican tax rates but to a higher or lower

rate of tax, as the case may be, in order to make it equal to United States internal revenue taxes as paid on the mainland. Of course, they are also subject to State taxes in the mainland just as mainland goods shipped to Puerto Rico pay local taxes there. Evidently it was intended to reconcile free trade within a common tariff, with the principle of "no taxation without representation" in Puerto Rico.

It should be noted that in accordance with our organic act the government of Puerto Rico must be supported by local revenue. No Federal appropriation for the support of the local government such as provided for Alaska and Hawaii, has ever been made for Puerto Rico. Only Federal services are federally paid. Lately some grant-in-aid laws have been extended to Puerto Rico and have helped the insular government bear its burden.

Besides, Puerto Rico is included within the coastwise shipping laws. We pay freight both ways, at domestic rates. We may not ship to or from the mainland using less expensive foreign vessels.

Since the economy of Puerto Rico in 1900 was exclusively agricultural, and Puerto Rico is a tropical island, the benefits of this free trade arrangement for Puerto Rico, were in practice limited both by nature and by economic law to such agricultural products as were wanted in the mainland which could be raised in a tropical climate, in an area of 3,500 square miles.

The wide variety of industrial products of the mainland found a protected market in Puerto Rico with no more limitation than Puerto Rico's purchasing power. In 1900 Puerto Rico had just begun to feel the effects of the industrial revolution. It was in the handicraft stage. It was only natural that our handicrafts virtually disappeared under the impact of United States industrial mass production with which they could not compete.

Puerto Rican export products up to that time were mainly coffee, sugar, and tobacco, in first, second, and third place respectively. When Puerto Rico came within the United States tariff system, its coffee lost a privileged position which it had theretofore enjoyed in the markets of Spain and Cuba, where it found preferential treatment. It found only a free unprotected market in the mainland, since coffee in the United States was and for a long time has been on the free list.

In order to offset this loss to Puerto Rican coffee producers and the Puerto Rican economy, an exception was made in the application of the United States tariff rates to importations into Puerto Rico; a customs duty was levied by Congress on coffee imported into Puerto Rico, but not into the mainland. Thus the coffee industry of Puerto Rico saw its protected market shrink to the dimensions of an island of 1,000,000 potential consumers then and of 2,000,000 today. Its surplus production would have to be sold and has had to be sold ever since in the free world market without possible reciprocal concessions of any sort, to be extended to any area of the world which might offer privileged treatment to Puerto Rican coffee therein. Under these circumstances the coffee industry is a slowly dying industry. Yield per acre is very low at present. There is no capital to improve methods of cultivation. Wages are low. We are importing coffee now from the Dominican Republic. The Puerto Rican coffee lands are today an economic vacuum.

Benefits of free trade with the mainland, however, flowed to producers of Puerto Rico's tobacco and sugar. Tobacco has ever since found a market in the mainland, mainly as much as may be needed for fillers, but the United States policy of preferential treatment to Cuba has greatly limited the potentialities of the United States market for Puerto Rican filler.

Sugar found a market under the protection of a high tariff and it rapidly developed into the largest, and for that matter, the only substantial industrial export product of Puerto Rico. But sugar land is not coffee land. The owner of sugar land received real benefits; the owner of hilly coffee land, now buying in an expensive market, was left to his own devices.

Production of sugar in the island has a natural limitation. It may not be cultivated in the hilly coffee land, but properly only in the lower and level coastal plains. Of Puerto Rico's 3,500 square miles, only half is arable and at that much of it is hilly, not quite suitable for sugarcane but only for tobacco and coffee. Besides, the market for Puerto Rican sugar in the mainland, had other limitations, those imposed upon it by concessions to Cuba. As the tariff against Cuban sugar was lowered and as Cuban sugar shipped into the United States increased in volume (Cuban sugar may be produced at much lower costs than Puerto Rican sugar), the prices and the market for Puerto Rican sugar decreased.

When sugar was placed on the United States free list in 1913, the Puerto Rican economy went virtually bankrupt. Under the spur of the then threatening First

World War, however, the tariff on Cuban sugar was restored and Puerto Rican sugar began to recuperate from the heavy blow.

Since 1930, statutory law has further limited the production of sugar in Puerto Rico. The Sugar Act of 1930 did so; the Sugar Act of 1948 does so. Under present law, Puerto Rico is allowed to market a quota of only 910,000 tons on the mainland, but restrictions do not stop there. Puerto Rico may refine, out of the 910,000 tons it may market in the continental United States, not more than 126,000 tons. Thus the free-trade arrangement of 1900, which did not take care of coffee, which did away with most of our then existing handicrafts, which benefited tobacco to an extent, and sugar to an extent, has been further curtailed for Puerto Rico by statute and the sugar economy of Puerto Rico has been frozen at 910,000 tons of sugar, most of it raw. May I add that up to recent years the best half of sugar lands of Puerto Rico were possessed by absentee owners and the island received from them little more than low taxes and law wages. Moreover, in the last few postwar years sugar was the only product upon which a price ceiling was maintained. Per contra, rice, Puerto Rico's staple food, was decontrolled. In 1947 it took almost 2½ pounds of raw sugar to buy a pound of rice, the normal relationship is more nearly 1 for 1.

Rum has found a limited market on the mainland; except for the war years when it flourished. It is back to prewar levels now.

A small but important needlework industry has developed in the island. It must compete in the mainland market with the low-cost production of the Orient. The tariff on needlework is very low.

Our population has increased since 1900 for 1,00,000 to 2,000,000 now. Economic pressure has forced a large migration of Puerto Ricans to the mainland. If economic pressure continues, there cannot be any other way for the existing Puerto Ricans to survive than to create new jobs on the island or to leave the island and come to the mainland in ever-increasing numbers. If the existing population is to stay on the island, lest its level of existence be further depressed, reaching socially dangerous levels, production must be increased in Puerto Rico and the income of Puerto Rico must be increased.

As it is, importations from the mainland last year (and this means food, clothing, shoes, building materials, fertilizers, machinery, implements and tools, stationery, cigarettes, and so forth) reached the amount of $337,000,000, for goods which the island does not produce and which the island's population consumes.

Sales of Puerto Rican products to the mainland (and this includes sugar, tobacco, rum, cigars, and needlework) reached the amount of $200,000,000 last year.

The gap between imports of $337,000,000 and exports of $200,000,000 was filled by payments derived from salaries earned by employees in the Federal services in Puerto Rico, from the result of other Federal expenditures, such as in the military establishments, from outlays to veterans (75,000 Puerto Ricans served during the Second World War under the American flag) and from, roughly, $10,000,000 paid by the United States Treasury to Puerto Rico under such grant-in-aid laws as up to the present apply to Puerto Rico; also, from savings accumulated during the long war years when scarcity of needed materials prevented purchases. Part of the gap is covered by a rapidly accumulating debt. Such a basis for an economy is fundamentally unstable.

It should be noted that if the income of Puerto Rico were equal to the average on the mainland our purchasing power would be tripled; we could triple our purchases; they would pass the billion mark. As it is we have often ranked higher as a purchaser from the United States than any Latin-American country.

The average per capita income in Puerto Rico is less than half that of Mississippi, the lowest income State. The cost of living in Puerto Rico, however, is 25 percent higher than the average in the mainland.

We have more than 75,000 chronically unemployed, a drag on the economic level of existence of the employed, most of whom are in fact underemployed. They are a drag also on the revenues of the Government of Puerto Rico which must provide on a relatively very large scale, free schools, free medical services, necessarily meager direct assistance to the unemployed and to the underemployed, to the old, who in their productive years could never save for a rainy day, to the orphan children, whose parents could not provide insurance for them, to the blind and to the handicapped, who have little or no chance to find work in an economy where there are too few chances of work even for the able-bodied.

It would be only fair if coffee were helped into economic rehabilitation. It can be done. It should be done. I hope it will be done sometime by providing the necessary assistance.

It would be only fair if the sugar quota of Puerto Rico were raised to no less than the maximum possible performance and if foreign importation of sugar into United States were correspondingly reduced. It would be only fair if Puerto Rico were allowed to refine its own sugar and if the present discrimination against American citizens in Puerto Rico were removed by allowing them to engage in this industry with the same freedom which mainland citizens enjoy.

It would be fair if Puerto Rico's needlework which is subject to the United States minimum-wage law were protected against competition of low-cost producing countries in which the United States minimum-wage law does not apply, but with whose output we have to compete in the mainland market.

It is only fair to extend to Puerto Rico all Federal grant-in-aid and social-security laws, in order to give every citizen in Puerto Rico the same chance in life as is given to every citizen in the States.

If our contribution to the national economy is small, this would seem to be the policy to follow in order to enable us to increase it. Help should not be measured by the ability to contribute, but precisely by the inability to do so, which only means inability to meet unassisted the essential needs of life.

All these measures would have a decided effect in bringing Puerto Rico into a situation closer to the mainland standards of life and to a higher purchasing power which in turn would have beneficent repercussions in the mainland economy.

No chain is stronger than its weakest link. A chronically depressed Puerto Rico means a chronically depressed area within the economic system of the United States. The repercussions of this situation do not confine themselves to Puerto Rico.

By this philosophy as applied to Europe, the Marshall plan was inspired. This same philosophy inspired the President's inaugural address wherein he referred to all depressed areas of the world. But in both instances the reference was made only to foreign countries. By applying this philosophy to Puerto Rico, we would be giving thought to the needs of fellow citizens, living under United States laws, serving under the flag in times of common peril, producing within the United States economic system, loyal to the principles upon which this Nation stands, and deserving of the benefits of democracy and the certainty of security which this Nation should offer us all.

Industrialization should have started in Puerto Rico long ago. It is only through industrialization, urbanization, higher standards of living, a stake in life, a change in social patterns, that the birth rate of any area may begin to decline. Had industrialization started in Puerto Rico 50 years ago, we would not be facing now in Puerto Rico the population-pressure problem we are facing, with unmistakable repercussions on the mainland. The birth rate would have declined as, in recent years, the death rate has declined, thanks to the application of modern scientific health measures.

But the transformation of a purely agricultural economy into an industrial economy does not take place overnight and without difficulties. The development of industrialization in the mainland—this most industrialized Nation in the world—did not take place overnight. The difficulties which beset infant industries in their beginnings in the United States did not allow for the same performance, for equal efficiency, for equal cost of production as in the well-developed industries of Great Britain in those days. Under enormous handicaps we are soberly and steadfastly trying to industrialize now.

We hope to succeed in our industrialization program. We except to succeed if such an obstacle as the application to Puerto Rico of a minimum-wage law on the same level as is appropriate for the mainland does not paralyze our efforts and in fact place an embargo on the marketing in the mainland of our industrial output. We would prefer that our efforts were so successful that we could take care of ourselves, of our handicapped, of our own needy older people, of our orphans, or, better, that we could contribute to the ease of the needy in other areas within the national domain. But such is not the case now. Either we get Federal cooperation for this purpose so that our workers can properly care for their families, young and old, or our old people and our orphans and our handicapped will continue to suffer privation—indeed slow, progressive, starvation.

In sum, I wish to state in the name of the people of Puerto Rico, that I endorse fully the principles involved in H. R. 2045 and H. R. 2892. I wish to

extend to Chairman Doughton and Congressman Forand an expression of deep gratitude in behalf of the people of Puerto Rico. I earnestly hope that this committee will favorably report welfare legislation of the type now before the committee—welfare legislation which is so urgently needed in Puerto Rico.

Dr. FERNÓS-ISERN. As passed by the House, H. R. 6000 would extend old-age and survivors insurance, as well as direct assistance, to Puerto Rico. There is no question that this would be a godsend to the people there. Certain objections were raised when this bill was debated before the House of Representatives. Although the House failed to sustain these opposing views, I should like now to offer, as another appendix to my testimony, the extension of my remarks in the Congressional Record, October 5, 1949, in which I attempted to meet those objections.

The CHAIRMAN. Thank you, sir. We would be glad to have you furnish that to the reporter.

Dr. FERNÓS-ISERN. Thank you, Mr. Chairman.

(The material referred to is as follows:)

[From the Congressional Record, October 5, 1949]

SOCIAL SECURITY FOR PUERTO RICO

(Extension of Remarks of Hon. A. Fernós-Isern, Resident Commissioner from Puerto Rico, in the House of Representatives, Wednesday, October 5, 1949)

Mr. Speaker, under leave to extend my remarks in the Record, I shall state the following on the matter of social security for Puerto Rico.

With the adoption by the House of H. R. 6000, there has been unanimous recognition of Puerto Rico's need for the direct-assistance features of social security. There has also been effective recognition of the need for extending old-age and survivorship insurance to Puerto Rico, although not unanimously as to how it should be extended. Thus, 10 years after the social-security system went into effect, Puerto Rico appears to be on the road to substantial inclusion in it. This is altogether justified and proper and to me very gratifying. May I express my thanks in the name of 2,000,000 American citizens?

The House bill, as passed, represents progress for Puerto Rico. Its effects will, over the years, help to render the island a more wholesome social community.

It was suggested, although such suggestion was not adopted, that, in the matter of old-age insurance, a separate scheme be set for the island.

It was claimed that under the national system—

A. The real benefits of old-age pensions would be greater on the island than on the mainland.

B. A large number on the island would pay into the insurance fund without reaping benefits.

C. Many would collect their social-security pensions but continue to work.

D. It would be an undue burden on citizens of the mainland.

These four points are, to my way of thinking, maintained in error. As to A above, the same schedule of pension payments and benefits would, under the House bill as passed, be in effect for the island as for the mainland. The fact that a larger ratio of low-income persons would be covered in Puerto Rico than in the States is of no moment. The central purpose of this insurance is protection of citizens, as members of a nation, not of particular localities within the national economic system. It is fair that the low-income workers be covered in New York or in Mississippi, or in Puerto Rico. If there is justification for a national system of social security, then there is little justification for discrimination on a regional or local basis. The higher the income, regardless where a pensioner lives, the less need for coverage; the lower the income, regardless where a pensioner lives, the greater the need of coverage. Low incomes in Puerto Rico are attributable not to low cost of living or to indifference to work opportunities but to lack of that capital which makes for higher productivity and, consequently, high incomes. The island workers earn only enough, in their vigorous years, to get along. It would be contrary to social-insurance philosophy to insist upon not the amelioration of want in old age, but the continuation and aggravation in old age of the hardships of early and middle life. It is preferable that the low-income worker be not merely assured of the direct assistance in his old age but rather of a pension which, in large measure, he has paid for.

Precise measurements of contributions and payments are fruitless for the purpose. For years Puerto Rico's consumers have been paying for most of their foodstuffs and other consumables at mainland prices, which surely reflects social-security taxes for mainland workers. Their case is the same of the farmers all over the Nation who are not covered by social-security benefits. Surely, if the burden of security is a social concern, the incidence of that burden, as exemplified above, inevitably becomes social and the distribution of social-security funds becomes a matter of social values and policies. Social security is as much a part of the American way of life as the free school, and as much a proper concern for all American citizens as military security. It would not be equitable to live and work, and consume, within the American economic system, and still be deprived of the economic security which such system is supposed to offer its component parts. And Puerto Rico has been a component part of the United States economic system since 1900.

The Puerto Rican worker will pay, as the law calls for, for any worker who earns as much as he does. He will get the same benefits as any other worker, who pays the same dues as he pays, gets. That the incomes of Puerto Rico are low would call for help to improve them, not for further aggravation of the situation through denial of insurance because of a large proportion of low-income workers in that particular area.

The nonagricultural worker in Puerto Rico earns about one-half as much as his counterpart in the State of Mississippi. But the wage earner in Mississippi earns only two-thirds as much as that of the average State.

If it were justified to keep the American citizens in Puerto Rico out of insurance, this line of reasoning might lead to justify that the workers in low-income States be excluded. In this way, only States with average or above-average incomes would be covered. National insurance based upon local, territorial, or regional considerations would quickly vitiate its own fundamental philosophy.

The other bases upon which a distinctive system of security in Puerto Rico has been propounded are no less tenuous. It has been alleged—see B above—that old-age insurance taxes laid in Puerto Rico would lead to payments by a number of workers who, because of irregular work opportunities, would not eventually qualify for a pension. This is so, but it is quite as true for mainland areas where work opportunities are not first rate. Thoroughgoing acceptance of this objection would vitiate the social-insurance concept quite as much as would acceptance of the first objection—see A above. On the other hand, thinking in the concept of the particular area, this adds to Puerto Rico's contribution to the fund and compensates for objection A.

As for the contention that in Puerto Rico many workers after 65 would continue to work and draw pensions at the same time, I should observe that the exiguous circumstances of the aged in an economy which provides too few decent opportunities for the young and the middle-aged worker, would not allow it. The chances of a 65-year-old worker getting or keeping a job in Puerto Rico, when 1 worker out of 10 is chronically unemployed and another 1 out of 10 is chronically underemployed, are just too slim to worry about.

As for the fourth contention, that inclusion of Puerto Rico would create an undue burden upon the Federal insurance fund: Puerto Ricans as consumers are dependent upon the mainland for most of their goods; they now indirectly pay into that fund. Not to extend insurance means a burden in behalf of insurance without the benefits of insurance. Besides, the products of workers in Puerto Rico should bear the burden of social-security costs on a scale sufficient to add to the pension fund a sum substantially large enough to pay for pensions meted out according to the national schedule of payments.

I appreciate that the opposition to the extension of national insurance to Puerto Rico has been made in good faith and in a wholesome spirit. In the same spirit, I feel it my duty to take issue with them. I hope that for the sufficient reasons given above, no further opposition to the extension of old-age insurance to Puerto Rico may arise.

Dr. FERNÓS-ISERN. In the late fall of 1949, a distinguished and hard-working subcommittee of the House Ways and Means Committee visited Puerto Rico. I might add, parenthetically, that Puerto Rico always welcomes such manifestations of interest on the part of Congress; first, because of good fellowship; and, second, because these visitations bear the sustaining fruit of true and real understanding.

The subcommittee of which I speak saw and studied and came to understand my people and our island home. They held hearings. They delved deeply and carefully into economic and social conditions in Puerto Rico. They saw the problems and the job to be done, and they came back to render a report embodying their recommendations to help solve some of these problems. I offer now, as another appendix to my testimony, a copy of the subcommittee's report to the Committee on Ways and Means.

The CHAIRMAN. That will be entered in the record.

(The report referred to is as follows:)

REPORT TO THE COMMITTEE ON WAYS AND MEANS, FROM THE SUBCOMMITTEE ON EXTENSION OF SOCIAL SECURITY TO PUERTO RICO AND THE VIRGIN ISLANDS

LETTER OF TRANSMITTAL

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Febraury 6, 1950.

Hon. ROBERT L. DOUGHTON,
Chairman, Committee on Ways and Means,
Washington, D. C.

DEAR MR. CHAIRMAN: Transmitted herewith is the report of the Subcommittee on Extension of Social Security to Puerto Rico and the Virgin Islands.

Respectfully,

A. SIDNEY CAMP,
Chairman, Subcommittee on Extension of Social Security to Puerto Rico and the Virgin Islands.

EXTENSION OF SOCIAL SECURITY TO PUERTO RICO AND THE VIRGIN ISLANDS

PART I. INTRODUCTION

The purpose of the visit of the Subcommittee on Extension of Social Security to Puerto Rico and the Virgin Islands was to obtain first-hand information on the practical operation of the provisions of H. R. 6000, the Social Security Act amendment of 1949, which provide for the extension to these areas of the United States of both the contributory old-age, survivors, and disability insurance programs and the public-assistance programs of the social security system.

Although it was impossible for the subcommittee to make its investigation and study prior to the passage of H. R. 6000 by the House, it was considered wise, and indeed essential, to obtain this first-hand information for the following reasons:

1. To assure that in its application to Puerto Rico and the Virgin Islands this far-reaching legislation, as finally enacted, will be as sound and as effective in achieving its objectives as it is within the power of Congress to establish;

2. To make certain that there are no matters or elements peculiar to these areas which would cause unusal administrative problems; and

3. To provide factual material essential to the intelligent consideration of the effect of subsequent amendments on the operation of the system in Puerto Rico and the Virgin Islands.

The membership of your subcommittee consisted of the following: A. Sidney Camp (Democrat, Georgia), Walter A. Lynch (Democrat, New York), Herman P. Eberharter (Democrat, Pennsylvania), Stephen M. Young (Democrat, Ohio), Thomas E. Martin (Republican, Iowa), John W. Byrnes (Republican, Wisconsin), with Resident Commissioner A. Fernós-Isern as ex officio member during the hearings and the preparation of that part of the report on Puerto Rico.

Hearings were held in San Juan, P. R., on November 15, 16, and 17, during which 26 witnesses representing the various insular government departments, together with private welfare groups, business interests, and labor organizations, testified. These hearings have been printed and are now a matter of public record. In addition to the public hearings, your subcommittee held numerous conferences with Government officials and representatives of various industrial, labor, and agricultural groups, and inspected various industrial plants, government projects, and farming areas.

Hearings were also held in Charlotte Amalie, St. Thomas, Virgin Islands, on November 22. Accompanied by local government officials, your subcommittee made a visit on November 23 to the island of St. Croix, where conferences were held with the administrative officials and interested persons of that island.

PART II. SUMMARY OF RECOMMENDATIONS

As a result of the information furnished by the witnesses during the public hearings in Puerto Rico and the Virgin Islands, and as a result of our study and investigation, your subcommittee submits herewith the following specific recommendations relative to the extension of social security to these two areas:

(A detailed analysis of the reasons for these recommendations is contained hereinafter in this report.)

1. That the contributory insurance system of the Social Security Act (title II) and that the public-assistance programs (titles I, IV, and X), together with the new title XIV added by H. R. 6000, be extended to Puerto Rico and the Virgin Islands as provided for in H. R. 6000 except as hereinafter indicated;

2. That title II of the Social Security Act and amendments thereto apply alike to Puerto Rico, the Virgin Islands, and continental United States;

3. That the requirement for a quarter of coverage under OASI (old-age and survivors insurance) for employees be maintained at $50, as under existing law, rather than increased to $100 as provided for in H. R. 6000;

4. That under OASI the $25 qualification requirement in H. R. 6000 (which marks the point at which taxes are imposed) for domestic service and other service not in the course of the employer's trade or business be raised to $50 per quarter;

5. That the minimum monthly primary benefit under OASI provided for in H. R. 6000 be reduced from $25 to $20, together with such technical adjustments necessary to result in equity and consistency in the benefit formula and the conversion table for existing beneficiaries;

6. That H. R. 6000 be amended to provide that Federal matching be made available to Puerto Rico and the Virgin Islands for payments to the mother or other relative with whom a dependent child receiving public assistance is living, as is provided for in H. R. 6000 for the continental United States;

7. That the public-assistance matching basis for Puerto Rico and the Virgin Islands contained in H. R. 6000 be amended to provide Federal funds as follows:

(*a*) For old-age assistance, aid to the blind, and aid to the permanently and totally disabled, four-fifths of the first $15 of average monthly payment, plus one-half of the next $6, plus one-third of the next $9, with individual maximums of $30;

(*b*) For aid to dependent children, four-fifths of the first $10 of average monthly payment per recipient, plus one-half of the next $4, plus one-third of the next $3, with individual maximums of $17 for the mother (or other adult caretaker), $17 for the first child and $12 for each additional child in the family.

The effectiveness of a social-security system under which benefit payments are geared to length of employment and amount of wages hinges in large measure on the appropriateness of the provisions of the law to the economic environment in which it operates. Accordingly, the goal to be achieved through the establishment of a contributory social-insurance system can easily be defeated as the result of too high qualification requirements and other provisions which are not geared to existing economic conditions. In order, therefore, for your subcommittee to make a constructive evaluation of the appropriateness of the provisions of H. R. 6000 to Puerto Rico and the Virgin Islands, it was necessary for us to examine at close range their economic pattern and structure. Our findings are discussed below.

PART III. PUERTO RICO

(*a*) *Economic structure.*—The economy of Puerto Rico is agricultural, and its lifeblood is sugar.

Of the total labor force of approximately 686,000, the sugar industry employs approximately 150,000 workers; of these, 138,000 are engaged in actual farming operations and 11,000 in the 36 sugar mills throughout the island. As a result of the growth of the sugar industry and sugar-based products, the economy of Puerto Rico has been able to move forward. Sugarcane acreage now constitutes about 35 percent of all land on which agricultural crops are harvested, and sugar, together with its byproducts, constituted 60 percent of the total value of exports of

Puerto Rico in 1948. The total value of sugar-based exports was $115,000,000, while all the other nonsugar exports taken together amounted to $77,000,000.

Under the Jones-Costigan Act of 1934 and the Sugar Act of 1937, the processing and marketing of sugar from all regions supplying the United States were limited. Although the Sugar Act quotas were suspended in 1939, quotas were restored in 1940 but were suspended again in 1942 as the result of sugar shortages developed during the war.

The Sugar Act of 1948 reestablished quotas for the 5-year period from January 1, 1948, to December 31, 1952. Under this act, Puerto Rico's basic sugar quota is set at 910,000 tons, only 120,033 tons of which can enter the United States as refined sugar. That this quota limitation is having and will continue to have a restrictive impact on the Puerto Rican economy is illustrated by the fact that in 1931–32 the island produced 992,000 tons of sugar, and has produced as much as 1,148,000 tons in 1941–42, and 1,288,000 tons in 1949.

We learned that the sugar industry consists of more than 13,000 separate farm owners and that the cost of sugar production is very much higher in Puerto Rico than in any other cane-sugar area because of two reasons, one being the fact that the land having been in cultivation for centuries is depleted making it necessary for the farmers to use large quantities of commercial fertilizer, and the second reason being that these farmers refrain from installing labor-saving machinery in order to give as much employment as possible to the people of the island. The unemployment situation would be further aggravated by the installation of labor-saving devices.

The next most important agricultural products of the island expressed in terms of the amount of land cultivated and the gross income to the island from these products are tobacco, coffee, coconuts, pineapples, papayas, plantains, and bananas. At the present time approximately 111,000 persons are engaged in agricultural employment other than sugarcane. In all, therefore, agricultural employment accounts for 36.7 percent of the total labor force.

Only a small part of the island consists of high productivity soil. Approximately 72 percent of its total land area of 3,435 square miles is hilly and almost mountainous. It is estimated that Puerto Rico has 22 persons for every 10 acres of tillable soil as compared with the continental United States which has three persons for every 10 tillable acres.

As sugar is the life of the agricultural economy, the hand-craft industries are the backbone of Puerto Rico's manufacturing industries. Of the 109,000 workers engaged in manufacturing enterprises, 54,000 are employed in the needlework industries. Increasing competition from the Philippines, and to smaller extent Czechoslovakia, is already cutting into this industry, which depends primarily on an abundance of cheap labor.

In addition to the needlework and apparel industry and other textile manufactures, Puerto Rico has recently undertaken the manufacture of leather, clay, glass, plastics, and chemical products. These, together with the manufacture of rum from molasses, the processing operations of the agricultural products, and fruit canning and fruit packing constitute the primary manufacturing economy of the island. A table showing the distribution of the labor force by industry is contained in the appendix (table 1).

Almost all the manufacturing units have to import a substantial amount of their machinery and most of their raw materials. The only industries which do not import any of their raw materials are sugar, canning and preserving of fruits and vegetables, tobacco-stemming and redrying, and the glass, cement, and pottery enterprises.

The bulk of Puerto Rico's export trade consists of sugar, tobacco, rum, and needlework, and the over-all economic welfare of the island depends in large measure on the available market for these products and the competitive conditions. In the calendar year 1948 exports from Puerto Rico totaled $190,000,000 (of which $184,000,000 were to other parts of the United States), while imports were $362,000,000 (of which $338,000,000 were from other parts of the United States). However, income from the increasing tourist trade tends to offset this unfavorable trade balance.

The cost of living at comparable standards is higher in Puerto Rico than in continental United States, and the large dependence of the island on imported goods coupled with the rise in prices of such goods has given Puerto Rico's postwar economy an inflationary character. The greater increase in prices in Puerto Rico compared with the rise on the mainland during the war was due to the fact that the shortage of goods was more acute on the island and that price controls were initiated later. The highest advances in prices were on such items

as rice, salt pork, and lard, three of the most important items in the food bill of the Puerto Rican wage earner.

(*b*) *Employment and wages.*—The estimated population as of July 1, 1948, was 2,185,000. For an island with a total land area of approximately 3,435 square miles, this represents a density of more than 630 persons per square mile, or more than 12 times the present density of continental United States. During an average week of fiscal year 1948–49 the total labor force was 686,000 of whom 616,000 were employed and 70,000 unemployed. Agricultural employment accounted for 30.7 percent; manufacturing, 17.4 percent; commerce, 14.8 percent; and services, 11.9 percent. The average age of employed workers was 34.6 years; 33 percent were under 25 years old and 3.6 percent were 65 years and over. Table 2 in the appendix contains a break-down by age of the persons employed in 1948–49.

It is significant to note that according to the 1940 census, in Puerto Rico 41 percent of the population was under 15 years of age as compared with 25 percent in continental United States, and only 3 percent of the population in Puerto Rico was 65 or over compared to 7 percent in continental United States. The annual rate of growth based on the excess of births over deaths is approximately 60,000 per year, or 3 percent relatively, so that on this basis in a decade the increase in population will be about 34 percent. This annual rate of population growth is one of the highest in the world. Considering the already existing high population density and the fact that the death rate has been declining rapidly in recent years and now stands at less than 15 per thousand, or very little above the figure in continental United States, this presents one of the most serious and complex problems facing Puerto Rico.

The lowering of the death rate has been accomplished by the combined effects of better medical care, distribution of milk for children, school lunchrooms, and general improvement in living conditions.

As a result of the increase in recurrent revenues of the insular government from $25,400,000 in 1939–40 to $91,900,000 in 1948–49, public services have been considerably expanded. The proportion of children aged 6 to 17 in schools has increased from 52 percent in 1940 to 60–65 percent now, and every effort is being made to provide additional educational facilities for the remaining children of school age. In fact, such a program is essential for increased productivity.

In addition to the high rate of unemployment, which threatens to magnify unless the industrialization program of the island is able to move forward at a steady pace, the Puerto Rican labor force is also characterized by seasonal employment. A large percentage of the workers are unemployed part of the year, and many work on a part-time basis. The major cause for this seasonal employment is to be found in the sugar industry. Other seasonal trends are the result of the rapid increase of employment in tobacco and coffee during the late fall months, with a subsequent downward trend during the spring.

Wage rates are generally about 35 percent of those prevailing in continental United States. Table 3 in the appendix shows the current average number of production workers, gross hourly earnings, and weekly hours in manufacturing industries in Puerto Rico.

Wage rates have risen steadily since the middle 1930's. Puerto Rico has a minimum-wage law and the insular government is making a vigorous effort to have all groups of workers covered by the minimum wage and to raise minimum-wage standards. Over 260,000 workers in 15 industry groups are already covered by minimum-wage orders. Table 4 in the appendix contains a break-down of the decrees issued.

(*c*) *Industrial program.*—In an effort to meet the basic problem of maintaining economic gains in the face of a rapidly growing population where already there exists a dense population and a land of limited natural resources, the insular government has adopted a progressive program for the industrialization of the island. This program is supervised by the Puerto Rico Industrial Development Company owned by the insular government. This company was organized in 1942 and has made a carefully planned study of those industries which appear to offer the greatest potentialities for development in the island. Local resources are currently being utilized by enterprises started by the Development Company.

The Development Company owns, through subsidiaries, a cement plant, a glassware plant, a jute paperboard mill, and a clay products plant. It also owns and operates a small artistic ceramic shop (now closed), a small fiber and textile shop, and a yeast pilot plant in which we are attempting to develop an economic process for the production of food yeast for human consumption. It also owned a shoe plant which has been sold. The others have been offered to

the most responsible operators in their respective lines. Although there have been active negotiations for the sale of the remaining plants, no definite agreements have yet been reached.

This policy is well explained by an excerpt from the annual report of the Puerto Rico Industrial Development Company for the year ending June 30, 1948:

"This partnership of government and private capital in the development of an industrially backward area fitted perfectly into the best American tradition. The history of the United States began with the activities of three government-chartered corporations: The London Company, the Plymouth Company, and the Dutch West India Company. As soon as private enterprise was able to go along by itself, once the risky task of ground breaking was accomplished, the government-chartered corporations stepped out and let the entrepreneurs take over."

The Development Company program is designed to encourage the development of those industries which can best utilize the competitive advantage of the lower wage scales in Puerto Rico.

The obstacles to any extensive industrialization of the island are great, but the cooperation between the various insular government agencies and the realistic approach to the problem are factors that afford a hope for substantial progress. We believe that there are undoubtedly potentialities for the development of small industries in Puerto Rico which will develop and utilize local resources and will assist in supplying an outlet for Puerto Rico's expanding labor force. Adequately trained labor is becoming more abundant, and the policy of the Government is to encourage the investment of private funds into new enterprises.

(*d*) *Tax system.*—In 1897, a year prior to the ceding of Puerto Rico to the United States by the Treaty of Paris in 1898, Spain granted a considerable degree of self-government to the Puerto Ricans under a charter of autonomy. A result of this fact has been that Puerto Rico, unlike the Virgin Islands and other United States areas, has always had its own tax system. Table 5 in the appendix contains the basic provisions of the Puerto Rican income-tax laws. The primary source of revenue is the excise taxes collected on a variety of articles such as alcoholic beverages, cigarettes, gasoline, automobiles, and electrical equipment and accessories. In fiscal year 1948–49 revenues from these taxes amounted to 40.7 million dollars.

The second most important source of revenue is the Puerto Rican income tax on individuals and corporations. In fiscal year 1948–49, 26.4 million dollars was collected from this source. This figure is broken down as follows: 11.8 million dollars was collected from individuals (21,000 taxable returns) and approximately 13.2 million dollars from corporations (694 taxable returns) and partnerships (407 taxable returns). The remainder, or approximately 1.4 million dollars, came from withholding taxes.

The third most important source of income is the tax on real and personal property which provided 3.3 million dollars in revenue, and an additional $7,000,000 in property taxes was collected for the municipalities for the support of the local governments.

In addition to these taxes there was covered into the insular treasury approximately 9.6 million dollars from customs duties and taxes imposed upon products shipped to the mainland to offset the Federal taxes paid on such products when produced in continental United States. Of this amount 7.4 million dollars was paid by local producers of rum and tobacco on the products shipped to the mainland. Table 6 in the appendix contains a break-down of the Federal taxes covered into the insular treasury during the past 10 years.

For 14 years Puerto Rico has had a workmen's compensation insurance fund designed to protect workers against the hazard of accidents in the course of their employment. Premiums totaling 3.9 million dollars were assessed on total pay rolls amounting to $227,000,000 in 1947–48.

The provisions relative to the unemployment insurance law designed to protect sugarcane workers against seasonal unemployment became operative last year. The insular treasury, in cooperation with the sugarcane industry, evolved the necessary pay-roll and tax-return forms. The law and regulations provided for monthly tax payments on taxable pay rolls accompanied by the weekly pay rolls during that month. Between January 1 and October 31, 1949, the pay-roll tax collected amounted to 1.8 million dollars. There were 5,414 reporting employers during that period and over 22,000 returns were processed.

We call attention to these various tax programs in order to substantiate our position that existing insular tax programs have already laid a foundation for the collection of the Federal employment taxes. In our opinion the collection of these taxes will present no insurmountable administrative difficulties, and

the experience of the insular treasury, together with familiarity with similar taxes by both employers and employees, will be of great assistance.

As part of its program to develop wider industrialization, the insular government has recently granted a tax holiday to newly established industries in Puerto Rico. The exemption runs until June 30, 1959, and covers income, property, and municipal taxes, as well as the excise tax on machinery and raw materials. Tax exemption for new industries is not a new policy in Puerto Rico. In fact, such a policy goes back as far as 1919 when new industries were exempted from the payment of insular taxes. Similar laws were enacted in 1925, 1930, and 1935. Inasmuch as Puerto Rico comes within the provisions of section 251 of the Internal Revenue Code, the effect of the exemption from Puerto Rican taxes is to offer definite incentives to engage in productive enterprises in the island. It is expected that this policy will aid in the expansion of the Puerto Rican economy.[1]

Assurance was given your subcommittee by responsible officials in Puerto Rico that great care would be exercised by them to avoid any action under this program that might be detrimental to industry on the mainland. The policy, as recently stated by the president of the Puerto Rico Industrial Development Company, in this regard is as follows:

"Puerto Rico's so-called tax-exemption program was initiated in 1947 and provides a 12-year period of exemption from local income, property and municipal taxes to certain qualified new "industries." It does not imply a blanket "freedom from taxes" in any sense of the word. *Neither does it apply * * * to any stateside industry or factory which "closes shop" on the mainland to take refuge in Puerto Rico.*

"* * * While certificates of exemption have been granted to more than a hundred firms, another 50 or more have been denied or the applications have been withdrawn."

This policy has been formalized by resolution of the Executive Council of Puerto Rico as follows:

"It is the intention of the Executive Council to administer the tax-exemption act in such a way as to encourage and promote industry which will benefit the Puerto Rican and United States economies. To this end, the Executive Council will use the powers granted to it in the "Industrial Tax Exemption Act of Puerto Rico" to encourage those industrial enterprises which represent an expansion of existing industries or the development of new fields of industry. The benefits of the tax-exemption program will not be used to encourage any industry to move to Puerto Rico at the expense of injuring United States industrial communities by closing plants or curtailing production in those areas.

"In passing upon any petition for tax exemption presented by a petitioner which has closed down or which proposes to close down a plant in the continental United States and which proposes to establish a new plant in Puerto Rico, the Executive Council will give due weight to the following factors:

"(a) Whether or not the decision to close the old plant was made prior to the time Puerto Rico was considered as a possible site for the new plant;

"(b) Whether or not the decision to close the old plant was the result of local factors having no connection with the Puerto Rico Tax Exemption Program, such as the zoning out of the old plant, inadequate factory space, inaccessibility to market, excessive freight on raw materials, or other similar factors;

"(c) Whether or not the nature of the business, the volume of production and the employment thereof is such as to affect materially the economy of the community in which it is located.

* * * * * * * *

"It is not the purpose of this Council in the exercise of its powers under the tax-exemption law to induce the transfer of regularly established industries or part thereof from any State of the Union to Puerto Rico, but to induce the investment of new expansion capital in the Puerto Rican part of the American economy, where it is so urgently needed to prevent permanent dependency on some kind of a dole system and to help the people of Puerto Rico to get on their feet economically on a par with the States."

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[1] Sec. 251 of the Internal Revenue Code provides in general that if during a period of time within the 3 years immediately preceding the close of the taxable year, a taxpayer derives income within a United States possession he may exclude such income received during the taxable year from his gross income provided (1) 80 percent or more of his total income for such period was derived from sources within a possession and (2) that 50 percent or more of his total income for such period was derived from the active conduct of a trade or business within the possession.

(c) *The existing social-security provisions in Puerto Rico.*—For many years Puerto Rico has had a compulsory workmen's compensation insurance program, and, as mentioned previously, a seasonal unemployment insurance program for workers in the sugar industry has recently been enacted. Neither of these programs would, of course, be affected by the extension of our social-security system to the island. In addition to these two programs there are in existence retirement plans for certain groups of government employees.

In the field of public assistance, Puerto Rico has had its own programs for many years. Beginning in 1943, the public-assistance programs were altered in order to conform with the standards of the Social Security Act so that there would not be any legal impediments for Federal grants-in-aid, if these were made available. In addition to the present three categories of the Social Security Act (old-age assistance, aid to the blind, and aid to dependent children), Puerto Rico has a fourth category termed "general assistance" but which in reality is similar to the new fourth category established by H. R. 6000 for aid to the permanently and totally disabled, since only physically or mentally handicapped persons are receiving assistance under this category.

Puerto Rico, with considerable financial effort, has made available $3,000,000 annually for public-assistance grants. Currently, assistance from this source alone is being given to about 33,000 families, representing about 58,000 recipients. Under the basis now established, each family on the roll receives a uniform amount of $7.50 per month. Eligibility for assistance is determined on a very strict basis. In each case budgetary requirements are set up, and if the individual (or family) has an actual income of more than 15 percent of these requirements, he is not eligible. In addition, even though this eligibility test is met, there is a large waiting list because of the limited funds available. Thus, currently, the waiting list comprises about 41,000 families composed of about 72,000 individuals, and it is likely that the vast majority of these would be found to be eligible if funds were available. Accordingly, it may be seen that the waiting list is about 25 percent larger than those on the assistance rolls. If all eligibles were placed on the roll by eliminating the waiting list, the rolls would be more than doubled.

The 58,000 recipients on the roll are subdivided into categories as follows: 18,000 persons age 65 and over, roughly 20 percent of the total aged population of the island; 600 blind persons or about 12 percent of the total blind population; 30,000 children under age 18; and 9,000 physically or mentally handicapped persons over age 18 and under age 65.

The flat family grant of $7.50 per month represents an average payment of $2.90 per child receiving assistance, $6.28 for old-age assistance recipients, and about $7 for aid to the blind and general assistance.

PART IV. THE VIRGIN ISLANDS

(a) *The economic structure.*—The economic life of the Virgin Islands, consisting of the islands of St. Thomas, St. Croix, and St. John, is based on the cultivation of sugarcane, the manufacture of rum and bay rum, the servicing of ships, a few handcraft industries, and tourist trade. Sugarcane provides the basic raw material for the production of raw sugar and rum which are the two principal items of the export trade. For the calendar year 1948 exports amounted to 1.7 million dollars of which 1.1 million was to other parts of the United States, while total imports amounted to 9.5 million of which 7.7 million was from other parts of the United States. Most of the items of common use such as food, clothing, machinery, fuels, and construction materials are imported from continental United States.

St. Thomas, the capital island, is only 12 miles long and 3 miles wide, and although Charlotte Amalie is an excellent harbor, the island itself is both hilly and unproductive. At one time the harbor was the principal calling station for ships in the West Indies, but with oil-burning engines, electric refrigeration, and modern communications, ships no longer need the refueling and servicing facilities of this port, and accordingly the harbor activities have been greatly reduced.

In our opinion growth of the tourist trade offers the greatest potentialities for the island. It is being actively encouraged by the local government, and additional hotels and facilities are nearing completion. The Virgin Islands Corporation can also be utilized in promoting tourist trade.

There are also, we believe, possibilities for the establishment and successful operation of additional small industries, and for the use and consumption of local products and the development of local projects.

Sugar prduction has been abandoned in St. Thomas, but in St. Croix, which is less mountainous and more arable, the Virgin Islands Corporation, which was incorporated by the Eighty-first Congress and succeeds the Virgin Islands Company, is operating 500 acres of land and employs approximately 1,000 workers.

Unlike Puerto Rico, the Virgin Islands are seriously handicapped by inadequate rainfall. Droughts are frequent, there are no streams, and the drinking water is supplied from the rain gathered from roofs and catchments.

The purpose of Public Law 149, Eighty-first Congress, approved June 30, 1949, which incorporated the Virgin Islands Corporation, is stated to be "to promote the general welfare of the inhabitants of the Virgin Islands of the United States through the economic development of the Virgin Islands." Despite this statement of purpose, Public Law 149 prohibits the manufacture of rum or any other alcoholic beverages, which in the opinion of your subcommittee is utterly contradictory. The only 2 years in which profits were made by the predecessor Virgin Islands Company were during the war years when there was an excellent market for rum. The result of the prohibition is to deprive the Virgin Islands Corporation of a substantial source of revenue and to limit the potential utilization of byproducts of the sugar industry. We recommend that Congress give consideration to the repeal of the prohibition of manufacture of rum at the earliest practicable date.

The economy of the island of St. Croix is entirely dependent on the Virgin Islands Corporation and deficit contributions to the municipality of St. Croix by the Federal Government. In addition to its activities in developing and maintaining the economy of the Virgin Islands through agricultural pursuits, soil and water conservation, establishment of new industries and development of the tourist trade, the law creating the corporation provides for $5,000,000 being made available for loans where the money would not be available from private or other government sources. The Virgin Islands Corporation is the largest taxpayer on the island of St. Croix. It pays all the taxes that a private corporation would pay.

(*b*) *Employment and wages.*—The population of the three islands consists of about 30,000 persons of whom there are currently approximately 5,000 persons employed in industry, commerce, domestic service, and professional and other self-employment and 2,000 in agricultural employment. In addition there are some 1,120 persons employed by the municipal governments which means that one out of every eight employed persons works for either the municipal or Federal Government. The following table contains a break-down of the types of employment and number of persons employed in each category at the present time.

Occupation	Number employed	Weekly income	Annual income
Industrial	1,919	$10–$50	$480–$2,400
Commercial	2,106	5– 50	300– 2,400
Domestic	463	5– 10	240– 500
Nonprofessional and nonagricultural self-employed	838	20– 60	960– 3,000
Professional and self-employed	24	75–100	3,600– 5,000
Municipal government	1,120	.....	.....
Farmers	559	.....	.....
Farm workers	1,517	.....	.....
Total	8,576	.....	.....

As will be seen in the table, wage levels are substantially below those existing in continental United States. Turn-over in employment is slow as the result of the fact that the sources of employment are considerably limited.

Although the demographic characteristics of the Virgin Islands closely parallel those of Puerto Rico in regard to a high birth rate, a relatively low death rate, and a generally young age distribution of population, the aggregate problem is not so great because of the relatively small numbers involved. Density of population is not so great.

(*c*) *Tax system.*—The Federal income-tax laws are enforced in the Virgin Islands, and the proceeds of such taxes are payable into the treasury of the Virgin Islands. The machinery for collecting taxes is the department of finance. For the calendar year 1948, 1,885 income-tax returns were filed in the Virgin Islands yielding a total amount of $810,856. The total number of individual

returns was 1,797 of which 311 represented returns of self-employed persons. The number of corporation returns was 66 and the number of partnership returns, 22. Individual tax yields amounted to $225,056 and corporations, to $85,800. In addition to our Federal income-tax laws, there are local property, excise, and trade taxes. The Federal estate and excise taxes do not apply in the islands.

Not only have the people of the Virgin Islands had experience with the Federal income-tax withholding system, but there is in operation in St. Thomas a retirement fund for municipal employees and a municipal insurance fund created under the Workmen's Compensation Act of 1941 which provides for employers' contributions of premiums based on types of employment. In the light of the existing tax structure in the islands, particularly the familiarity of the people with our Federal withholding, it is clear that the collection of the social-security taxes will present no difficulty.

As in the case of Puerto Rico, the Virgin Islands has recently enacted its own tax-holiday law designed to encourage the establishment of new industries in the islands.

Persons and corporations meeting the requirements of the law are exempted for an 8-year period from all real property taxes, excise taxes on building materials and equipment necessary for the construction and operation of new industries and all annual or specific license fees excepting those applying to liquor and automobiles.

(*d*) *The existing social security provisions in the Virgin Islands.*—Since 1943 the Virgin Islands has had a public-assistance program paralleling the three categories in the Federal matching program. In addition, payments are made in the Virgin Islands to the permanently and totally disabled, to the partially or temporarily disabled, and to children in foster-family homes. The first of these categories corresponds with the new fourth category of permanently and totally disabled established under H. R. 6000, but there would be no Federal matching for the other two categories.

At the present time the Virgin Islands has an active case load of 1,248 persons and a waiting list of 520 persons. These now on the rolls are divided approximately as follows: Old-age assistance, 575; aid to the blind, 65 (including almost 50 aged 65 and over); aid to dependent children, 375; and permanently and totally disabled, aged 18–64, 110.

The over-all average payment in public assistance in October 1949 was $5.90 per person, or 45 percent, or 19½ cents a day, higher than the 1948 average of $4.05.

Table 7 in the appendix contains a break-down of the existing public assistance program in the Virgin Islands. The total amount available for public assistance is $90,000 per year of which $4,000 comes from the community chest and public trust funds. Individual grants are figured on a budgetary basis with deductions for any income received.

PART V. DISCUSSION OF RECOMMENDATIONS

If in its application to Puerto Rico and the Virgin Islands our social-security system is to achieve maximum effectiveness, it is essential that the qualification requirements permit the greatest number of persons to be eligible for a scale of benefits which will afford a basic floor of protection and at the same time not serve as a substitute for initiative and thrift. Among our aims also should be the placing of the OASI program in the same dominant position in Puerto Rico and the Virgin Islands that has been our aim and objective in continental United States. It would be exceedingly unwise in our opinion to provide a social-security program to these islands which, because the qualifying conditions are not appropriately geared to their economy, literally forces the people under public assistance for their social security protection. We should, therefore, give particular attention to diminishing the future public assistance cases by inclusion of as many persons under the contributory program as is possible. These principles when realistically applied to the economic life of these islands move us to make the following recommendations which are summarized in the opening of this report and are now discussed in detail.

1. *That the contributory system of the Social Security Act (title II) and that the public assistance programs (titles I, IV, and X and the new title XIV) be extended to Puerto Rico and the Virgin Islands as provided for in H. R. 6000 (except as hereafter indicated).*—H. R. 6000 provides that the OASI system will be extended to Puerto Rico only when the people of Puerto Rico so express their

desire by passage of a concurrent resolution by their legislature. From the testimony presented to your subcommittee, it was clearly established that the people of both Puerto Rico and the Virgin Islands do desire to be brought within the social-security system and that they are prepared, and indeed willing, to pay the same employment tax rate imposed in the mainland. In all, 43 witnesses appeared before your subcommittee, and every witness testified in favor of extension of the social-security program to these islands. In Puerto Rico the Governor and both the president of the senate and the speaker of the house vigorously sponsored the program and stated their belief that both houses would promptly pass the necessary resolution. In fact, the president of the senate and the speaker of the house sent a telegram of inquiry to their respective members, and the answers they received showed that the members of the legislature were practically unanimous in favor of this program.

As clear to us as is the desire of the people of Puerto Rico and the Virgin Islands to come within the system is the need for the extension of this system to these islands. In the first place the extension of our social-security system, particularly in the case of Puerto Rico, will assist in the encouragement of the expansion of the industrial economy which is of the utmost importance to that island. In our opinion the extension of the program, particularly in the case of Puerto Rico, will do a great deal to strengthen the foundations of the economy and to meet the underlying economic problem. This system will provide a measure of economic security not now experienced by the great majority of Puerto Rican workers who are unable adequately to provide for their own security. Although wages have increased, the cost of living in Puerto Rico and the Virgin Islands is as high, if not higher, than in continental United States for comparable living standards, and adequate personal savings for retirements are well nigh impossible.

Inasmuch as social-security benefits are weighted in favor of the low-income groups, those who qualify in Puerto Rico and the Virgin Islands under the insurance program will have relatively higher benefits in proportion to the amount they have contributed, this fact will not have more than a minor effect on the actuarial basis of the system. This is so because of the relatively small size of coverage and shorter life expectancy in Puerto Rico and the Virgin Islands as compared with the continental United States. Our investigation shows that roughly 350,000 persons are engaged in covered employment in an average week in Puerto Rico and 5,000 in the Virgin Islands as compared with over 15,000,000 for the total system. From an actuarial standpoint the higher mortality of the islands results in somewhat of a lowering of costs since relatively fewer people reach retirement age. It should be borne in mind also that these islands which purchase almost all of their goods from continental United States are indirectly contributing to the social-security system because of the higher prices charged for articles as the result of inclusion of social-security taxes as a cost of production.

We believe also that the public-assistance provisions of titles I, IV, and X and the new title XIV should be extended to Puerto Rico and the Virgin Islands as well. The Federal cost of the public-assistance program for these islands, as we have recommended, will be approximately $11,000,000 a year, but as a result of it approximately 130,000 individuals in Puerto Rico and 1,000 in the Virgin Islands will receive some measure of relief which they so sorely need but which limited local funds do not now permit.

2. *That title II of the Social Security Act and amendments thereto apply alike to Puerto Rico, the Virgin Islands, and continental United States.*—All the witnesses before your subcommittee urged with great sincerity and earnestness that the provisions of the old age and survivors insurance system of title II of the Social Security Act be the same for Puerto Rico and the Virgin Islands as for persons on the mainland. They stressed the point that no differentiation is made between high and low wage areas on the mainland. We believe, furthermore, that if the amendments we recommend are made, the system will be appropriately geared to the economy of the islands, and that our recommendations will increase the effectiveness of the system throughout continental United States as well.

3. *That the requirement for a quarter of coverage under OASI be maintained at $50, as under existing law, rather than increased to $100, as provided for in H. R. 6000.*—Under present law it is necessary for a worker to earn at least $50 a quarter in order to receive social-security credits toward qualifying for benefits. Under H. R. 6000, however, the requirement is raised from $50 to $100, while for the newly covered group of the self-employed this figure is $200 (but no taxes are paid on less than $400 per year and no wage credits are given

then). It is clear that as a result of this provision a substantial number of people in Puerto Rico and the Virgin Islands will not qualify for benefits. We have in mind, for example, domestic servants and the home workers in the needlecraft industry as well as many other groups which are affected by the seasonal employment inherent in the island economy. And yet these are the people who need the protection. It seems to us, therefore, that the sounder and more prudent course is to maintain the eligibility requirement of $50 per quarter for employees. If the contributory system is ever to dominate the assistance program, the qualifying conditions must be such as to permit most of our lowest wage earners to qualify. We are advised that this recommendation will have no appreciable effect on the actuarial soundness of the program.

4. *That under OASI the $25 qualification requirement in H. R. 6000 (which marks the point at which taxes are imposed) for domestic service and other service not in the course of the employer's trade or business be raised to $50 per quarter.*—The testimony before your subcommittee brought into sharp focus the fact that under the provisions of H. R. 6000, many persons, particularly domestic servants, will have to pay social-security taxes, but will be ineligible for benefits. This is so because the law requires $100 of wages (and $200 of self-employment income) in order to obtain a quarter of coverage, but taxes are payable if domestic employees earn $25 a quarter, and meet the additional requirements. In other words, under the provisions in H. R. 6000 there will be a number of persons liable for social-security taxes but without sufficient earnings to qualify for benefits. Proportionately this group will be higher in Puerto Rico and the Virgin Islands than in the continental United States, but irrespective of this fact, the inequity should be remedied. This can be done by raising the $25 qualification requirement contained in H. R. 6000 to $50 per quarter, thereby coordinating the eligibility and taxability provisions for such persons.

5. *That the minimum primary benefit under old age and survivors insurance provided for in H. R. 6000 be reduced from $25 to $20 a month together with such technical adjustments necessary to result in equity and consistency in the benefit formula and the conversion table for existing beneficiaries.*—The minimum benefit provided for in H. R. 6000 is $25 ($10 under existing law). With the lowering of the requirement for a quarter of coverage for eligibility for benefits recommended above, we believe it is desirable to reduce the minimum monthly benefit payable to a retired worker from the $25 in H. R. 6000 to $20. This is desirable so that there will not be any great excess of the benefits payable over the wage actually earned by the very low-income workers. If this is not done, we will have the anomalous situation, which will be particularly true in Puerto Rico and the Virgin Islands, of persons receiving benefit payments substantially higher than the wages themselves. For instance, if we maintain the qualification requirement at $50 per quarter as under existing law in the relatively rare case of an individual who was steadily employed at $17 per month or $204 annually, the minimum benefit would be payable. If this minimum benefit were $25, such amount would be 50 percent in excess of wages.

Our recommendation applies to continental United States as well since the coverage contemplated under H. R. 6000 does not extend universally to all gainful workers. It is noted that the Advisory Council to the Senate Committee on Finance in its report in 1948 recommended a $20 minimum benefit which will in our opinion if other recommendations made herein are adopted, be more appropriate both in Puerto Rico and the Virgin Islands and for continental United States as well.

6. *That H. R. 6000 be amended to provide that Federal matching be made available to Puerto Rico and the Virgin Islands for payments to the mother or other relative with whom a dependent child receiving public assistance is living, as is provided for in H. R. 6000 for continental United States.*—During the testimony it was called to the attention of your subcommittee that the provisions in H. R. 6000 providing for Federal matching to payments made to the mother or caretaker of a dependent child did not extend to Puerto Rico and the Virgin Islands. This was due to the fact that extension to these islands was based on the provisions of the 1935 act which made no allowance for Federal matching to the caretaker of dependent children. We believe that H. R. 6000 should be amended so that this provision will apply to Puerto Rico and the Virgin Islands as well as in continental United States.

7. *That the public-assistance matching basis for Puerto Rico and the Virgin Islands contained in H. R. 6000 be amended to provide as follows: (a) For old-age assistance, and to the blind, and aid to the permanently and totally disabled,*

four-fifths of the first $15 of average monthly payment plus one-half of the next $6, plus one-third of the next $9 with individual maximums of $30; (b) for aid to dependent children, four-fifths of the first $10 of average monthly payment per recipient, plus one-half of the next $4, plus one-third of the next $3, with individual maximums of $17 for the mother (or another adult caretaker), $17 for the first child and $12 for each additional child in the family.

Although the Federal Government has for a number of years made grants to both Puerto Rico and the Virgin Islands for public health and child welfare, and to Puerto Rico for vocational rehabilitation, it has never provided funds for old age assistance, aid to dependent children, and aid to the blind. H. R. 6000 extends these titles of the Social Security Act as well as the new category of aid to the permanently and totally disabled to these Islands for the first time. Recognizing, however, that the economy of the Islands is at a lower level than that on the mainland, the bases for Federal share of the costs under H. R. 6000 are similar to the maximums established in the original Social Security Act of 1935 and are similar to the original matching ratio except in the case of aid to dependent children which is more liberal under H. R. 6000 than under the original act. Specifically, the bill provides that for old-age assistance, aid to the blind, and aid to the permanently and totally disabled, the maximum limiting Federal participation in an individual monthly payment be $30, and for aid to dependent children, $18 for the first child in a family and $12 for each child beyond the first. The Federal share of assistance costs within the maximums would be one-half for all types of assistance and for administration.

It seems to us that a more realistic approach to the problem is a formula midway between the 50-50 matching basis contained in H. R. 6000 and the basis in H. R. 6000 applicable to the States. We recommend, therefore, that for old-age assistance, aid to the blind, and aid to the permanently and totally disabled, the basis for the Federal matching be: four-fifths of the first $15 average monthly payment, plus one-half of the next $6, plus one-third of the next $9, within individual maximums of $30. It will be noted that the dollar limits and ranges are 60 percent of those applicable to the States. Likewise, for aid to dependent children the basis for Federal matching should be four-fifths of the first $10 of average monthly payment per recipient, plus one-half of the next $4, plus one-third of the next $3, with individual maximums of $17 for the mother (or other adult caretaker), $17 for the first child and $12 for each additional child in the family. The dollar limits and ranges here are 60⅔ percent (rather than 60 percent, so as to yield rounded figures) of those applicable to the States.

As applied to Puerto Rico, the formula in H. R. 6000 together with the requirement that assistance shall be furnished to all eligible people would mean an actual reduction of the amount paid for public assistance to individual recipients in Puerto Rico. This is so because in Puerto Rico the waiting list comprises about 41,000 families composed of approximately 72,000 individuals, and is larger than the actual roll of recipients, and it appears that the vast majority of these people would be found eligible if funds were available. There would in other words be additional persons receiving assistance, but the average amount of assistance payments would be lower. As applied to the Virgin Islands the matching formula contained in H. R. 6000 would increase the payments by only $1.80 a month. This is so because, after providing for the categories not covered in H. R. 6000 (general assistance and foster homes), approximately $9,200 per month of local money would be available for matching. With the Federal contribution of $9,200 a month, a total of $18,700 a month would be available for a case load of 1,777 persons in the Islands. The over-all average would be increased from $5.00 to $7.70 per person.

Under the formula that we recommend, however, the average payments per person would be approximately $10 in Puerto Rico and $12 in the Virgin Islands. The formula we propose was endorsed by witnesses in both Puerto Rico and the Virgin Islands, and the liberalization of our formula would increase the cost to the Federal Government by approximately $8,000,000 per year above the estimated $3,100,000 cost under the provisions of H. R. 6000.

ACKNOWLEDGMENT

The subcommittee desires to express its appreciation for the assistance of Hon. A. Fernós-Isern, Resident Commissioner of Puerto Rico, both in the preparation for and conduct of the hearings in Puerto Rico and in the preparation of that part of the report dealing with Puerto Rico.

APPENDIX

TABLE 1.—*Estimated total employment in Puerto Rico and number who would be in covered employment under H. R. 6000*

Major industry group and industry	Total employment July 1949	Approximate number in covered employment under proposed OASI plan
	Thousands	*Thousands*
All industries	615	342
Agriculture, forestry, and fishing	302	
Sugarcane	138	
Tobacco	(1)	
Coffee	14	
Other farms	97	
Forestry	1	
Fishing	2	
Mining		1
Construction	34	34
Manufacturing	100	100
Sugar	11	11
Liquor	2	2
Other food and kindred products	7	7
Tobacco	6	6
Needlework at home	24	24
Apparel and other textile products	11	11
Other manufacturing industries	18	18
Wholesale and retail trade	103	103
Wholesale trade	18	18
Retail trade	85	85
Finance, insurance, and real estate	9	9
Finance	1	1
Insurance and real estate	1	1
Transportation, communication, and public utilities	30	30
Railroads	1	1
Highway passenger transportation	10	10
Trucking	7	7
Water transportation	5	5
Air transportation	(2)	(2)
Other transportation	(2)	(2)
Communication	1	1
Public utilities	5	5
Services	79	74
Domestic service	39	39
Other personal service	25	25
Repair services	9	9
Amusement, recreation, and related services	3	3
Professional and related services	3	3
Educational private service	1	1
Nonprofit organizations	1	1
Government	43	

(1) This figure includes (1) About 10,000 unpaid family workers in classifications other than agriculture, forestry, and fishery who might not be covered; (2) workers paid from government funds but engaged in government-owned utilities or industries; (3) domestic and personal service workers on farms who are not covered, a very small number of workers in Puerto Rico; (4) all domestic and personal service workers have been included since figures indicate that domestic workers in San Juan get an average of about $22 per month and in the rest of the island generally between $7 and $10 per month, putting them in the classification of receiving more than $50 in cash per quarter. This figure does not include: (1) Any workers in agriculture, forestry, and fishery. Most of the agricultural processing workers are already included in manufacturing and trade. (2) 43,000 government employees who could be covered by voluntary compacts.

(2) Less than 500.

TABLE 2.—*Persons employed in Puerto Rico, by age, fiscal years 1946–47, 1947–48, and 1948–49*

(In thousands)

Age	1946–47	1947–48	1948–49	Age	1946–47	1947–48	1948–49
Total 14 years and over	606	612	616	25 to 34	155	155	154
				35 to 44	118	119	119
				45 to 54	78	78	80
14 to 19	83	81	79	55 to 64	35	38	38
20 to 24	117	120	124	65 and over	20	22	22

TABLE 3.—*Average number of production workers, gross hourly earnings, and weekly hours in manufacturing industries in Puerto Rico, by major groups and industries, in 1948–49*

Major group or industry	Average number of production workers	Average gross hourly earnings[1]	Average weekly hours
		Cents	
All industries	34,430	41.8	35.0
Foods and kindred products	15,750	40.1	35.7
Bakery products	1,898	42.8	37.1
Sugar	9,277	38.0	35.0
Beverages, including alcoholic	2,032	44.2	35.2
Tobacco products	4,783	29.7	32.7
Cigars	578	30.1	33.8
Tobacco stemming and redrying	4,110	29.4	32.2
Textile products	501	44.3	31.3
Carpets, rugs, and allied products	189	43.6	34.8
Needlework	0,139	30.5	32.7
Men's, youths', and boys' underwear, work clothing, and allied garments	1,338	32.0	34.2
Women's, misses', children's, and infants' underwear	1,233	29.9	32.8
Miscellaneous apparel and accessories	1,776	29.2	30.7
Lumber and wood products (except furniture)	247	43.0	39.8
Prefabricated structural wood products	192	45.7	40.2
Furniture and fixtures	1,301	36.8	37.3
Paper and allied products	207	48.9	42.2
Printing and allied industries	801	54.3	39.2
Commercial printing	446	43.3	42.7
Chemicals and allied products	847	51.1	20.0
Fertilizers (mixing)	439	63.0	23.1
Miscellaneous chemicals	181	40.4	20.0
Leather and leather goods	408	30.2	32.8
Footwear (except rubber)	320	37.8	33.0
Stone, clay, and glass products	1,320	58.7	41.6
Cement	461	65.8	47.4
Lime, concrete, and plaster products	819	51.1	34.9
Metal products (except machinery)	178	43.0	34.8
Fabricated structural metal products	67	44.4	42.8
Machine shops	603	56.5	43.4
Transportation equipment	53	39.0	38.5
Miscellaneous manufacturing industries	1,003	45.9	32.7
Lapidary work	374	55.7	30.9
Costumes, novelties, buttons, and miscellaneous notions (except precious metals)	612	40.3	20.8

[1] Including premium pay for overtime

TABLE 4.—*Decrees issued by the minimum wage board up to November 1949, number of workers covered, and probable increase in the annual pay roll of the industry and in the workers' yearly income*

Wage order		Industry, service, or business	Number of workers covered by the decree	Probable increase caused by the decree	
No.	Effective date			In the annual pay roll of the industry	In the worker yearly income
1	Mar. 20, 1943	Leaf tobacco	18,000	$770,000	$50
3	Apr. 28, 1943	Cane sugar	144,000	3,608,000	25
		Industrial phase	19,000	446,000	24
		Agricultural phase	125,000	3,162,000	25
4	Jan. 10, 1944	Hospitals, clinics, and sanatoriums	3,000	300,000	100
5	Mar. 12, 1944	Beer and soft drinks	700	90,000	128
6	June 14, 1944	Eating and drinking places	6,000	700,000	117
7	Apr. 4, 1945	Theaters and movies	800	40,000	50
8	June 4, 1945	Retail trade	10,000	1,400,000	140
9	July 5, 1945	Bakeries and allied industries	1,500	200,000	133
10		Dairying	7,000	600,000	85
11	July 1, 1946	Construction	50,000	8,000,000	160
12	Feb. 1, 1948	Transportation	13,000	2,755,000	212
13	July 1, 1947	Laundries	2,000	130,000	65
14	Sept. 15, 1948	Furniture and woodworking	1,800	224,000	124
15	Nov. 21, 1948	Quarrying	1,500	300,000	200
16	Oct. 1, 1949	Wholesale trade	8,000	1,100,000	220
		Total	201,300	20,317,000	78

TABLE 5.—BASIC PROVISIONS OF INCOME TAX LAW OF PUERTO RICO IN EFFECT TAX YEAR 1949 (ACT 74, APPROVED AUGUST 16, 1925, RETROACTIVE TO JANUARY 1, 1924, AS AMENDED THROUGH MAY 15, 1949)

I. WHO MUST FILE A RETURN

A. Individuals

1. With net income of $800 if unmarried or married and not living with spouse.
2. With net income of $2,000 if married and living with spouse or if joint net income of husband and wife is over $2,000.
3. With gross income of $5,000 regardless of net income or if joint gross income of husband and wife is over $2,000.
4. Regardless of amount of gross income from sources in Puerto Rico if individual is a nonresident, not citizen of Puerto Rico.

(Net income before personal exemption and credits for dependents.)

B. All corporations

C. All partnerships

D. Fiduciaries

1. Acting for an individual if the individual would have had to file a return under the above provisions.
2. Acting for an estate or trust if net income is $800 or gross income is $5,000.
3. Acting for an estate or trust any beneficiary of which is a nonresident, noncitizen of Puerto Rico.

II. PERSONAL EXEMPTION, DEPENDENT CREDITS, EXCLUSIONS AND REDUCTIONS FROM GROSS OR NET INCOME

A. Individuals

1. Personal exemption (from net income): $800 for unmarried; $2,000 for married or head of family; not allowed nonresident, noncitizen of Puerto Rico.
2. Dependent credit: $400 for each dependent other than husband or wife; not allowed nonresident, noncitizen of Puerto Rico; dependent must be under 18, or physically or mentally defective or at university and under 23; except that if a taxpayer is a "head of family" only because he has dependents, one of such dependents shall not be allowed.

3. Exclusions from gross income: Life insurance proceeds from death of beneficiary or for educational policies up to $10,000, return of life, endowment, or annuity insurance premiums up to amount paid; annuities except for 3 percent of total premiums paid in; gifts and inheritances; interest on obligations of the United States or other tax exempt interest; accident or health insurance payments or damages received; other minor exclusions.

4. Deductions from gross income: Ordinary expenses in connection with agriculture, business, profession or compensation; loss on sale of property or capital assets; interest paid on indebtedness except on debt incurred to buy tax-exempt securities; certain deductible taxes such as property tax; uninsured losses under certain conditions; depreciation on income-producing properties; major repairs to income-producing properties; contribution to religious or charitable, etc., institutions up to 15 percent of net income; professional medical services up to 50 percent of payments; $500 deduction for veterans of First and Second World Wars; in the case of a nonresident of Puerto Rico a credit of $5 per day for each day in Puerto Rico.

B and C. Corporations and partnerships

1. Credits: 5 percent of net income; interest on obligations of the people of Puerto Rico or its instrumentalities if issued for crop loans; the amount of the normal tax in calculating the surtax; total income-tax exemption for organizations established for nonprofit purposes such as labor, agricultural, or horticultural organizations; mutual savings banks without shares; fraternal societies; domestic building and loan associations; cooperative banks, cemetery companies, community chests, etc., chambers of commerce, etc., civic leagues, etc., private clubs, agricultural marketing associations, Federal land banks, etc.; all of the foregoing depending on their nonprofit status or nonsharing of earnings with any private shareholders; income-tax exemptions for "new industries" as defined by Act 184 of 1948 as amended by Act 352 of 1949.

2. Deductions: Ordinary and necessary expenses of business, interest, or indebtedness; certain taxes, uninsured losses; bad debts; reasonable depreciation and depletion; certain special deductions for insurance companies; donations to charitable institutions, etc., dividends from domestic corporations or from foreign corporations if 50 percent of latter's gross income is derived from sources in Puerto Rico.

III. TAX RATES

A. Individuals

Normal tax—7 percent of net taxable income, plus a surtax rate ranging from 5 to 72 percent of net taxable income with the 5-percent rate applying to the first $2,000 and increasing by an additional 2, 3, or 4 percent for each additional $2,000 up to $22,000; then increasing by an additional 2, 3, 4, or 6 percent for each additional $6,000 (one step of $4,000) up to $50,000; then increasing by an additional 1, 2, or 3 percent for each additional $10,000 up to $100,000; then increasing an additional 1 or 2 percent for each additional $50,000 up to $200,000; with a static surtax rate of 72 percent for incomes of $200,000 or over. Except that in the case of nonresidents of Puerto Rico the normal rate of 7 percent and the above surtax rates apply on net income derived from wages, salaries, professional fees, or other compensation for personal services performed in Puerto Rico and a 20-percent normal tax and the above surtax rates for income received for other reasons.

B and C. Corporations and partnerships

Normal tax of 20 percent of net taxable income if authorized to do business in Puerto Rico and engaged in an industry or business in Puerto Rico and 20 percent otherwise plus a surtax rate ranging from 5 to 20 percent with the first $25,000 of net income exempt from surtax; the 5-percent rate applying to the net income between $25,000 and $50,000 and increasing in rate by 5 percent for each additional $25,000 until the surtax is 20 percent for net income in excess of $100,000.

INDIVIDUALS—SURTAX RATES

Net income	Amount	Rate	Tax	Aggregate
		Percent		
Not over $2,000	$2,000	5	$100	$100
$2,000 to $4,000	2,000	8	160	260
$4,000 to $6,000	2,000	12	240	500
$6,000 to $8,000	2,000	15	300	800
$8,000 to $10,000	2,000	19	380	1,180
$10,000 to $12,000	2,000	23	460	1,640
$12,000 to $14,000	2,000	26	520	2,160
$14,000 to $16,000	2,000	29	580	2,740
$16,000 to $18,000	2,000	32	640	3,380
$18,000 to $20,000	2,000	34	680	4,060
$20,000 to $22,000	2,000	37	740	4,800
$22,000 to $26,000	4,000	40	1,600	6,400
$26,000 to $32,000	6,000	44	2,640	9,040
$32,000 to $38,000	6,000	48	2,880	11,920
$38,000 to $44,000	6,000	54	3,240	10,160
$44,000 to $50,000	6,000	56	3,360	18,520
$50,000 to $60,000	10,000	58	5,800	24,320
$60,000 to $70,000	10,000	60	6,000	30,320
$70,000 to $80,000	10,000	63	6,300	36,620
$80,000 to $90,000	10,000	66	6,600	43,220
$90,000 to $100,000	10,000	67	6,700	49,920
$100,000 to $150,000	50,000	68	34,000	83,920
$150,000 to $200,000	50,000	70	35,000	118,920
$200,000 and over		72		

PARTNERSHIPS AND CORPORATIONS—SURTAX RATES

(1) There shall be no surtax on a net income up to $25,000.

(2) On a net income in excess of $25,000, but not in excess of $50,000, 5 percent of said excess.

(3) $1,250 on a net income up to $50,000; and on a net income in excess of $50,000, but not in excess of $75,000, an additional 10 percent on said excess.

(4) $3,750 on a net income up to $75,000; and on a net income in excess of $75,000, but not in excess of $100,000, an additional 15 percent on said excess.

(5) $7,500 on a net income up to $100,000; and on a net income in excess of $100,000, an additional 20 percent on said excess.

TABLE 6.—*Recurrent revenues for insular government purposes, Puerto Rico, 1939–40 to 1948–49*

[In millions]

Fiscal year (July 1 to June 30)	Federal taxes reimbursed to the insular treasury		Total recurrent revenues
	Federal internal revenues	Customs	
1939–40	$2.7	$1.0	$25.4
1940–41	4.4	.8	29.2
1941–42	13.9	2.0	49.7
1942–43	13.5	2.4	56.5
1943–44	65.7	1.9	117.5
1944–45	37.7	2.1	91.7
1945–46	34.7	3.4	99.7
1946–47	19.6	2.5	92.7
1947–48	2.9	2.5	89.3
1948–49	7.4	2.1	91.9
Total	202.5	20.7	743.6

TABLE 7.—*Existing public assistance program, Virgin Islands of United States, October 1949*

Proposed social-security categories	Number of persons	Average grant	Total grants
The blind:			
65 years and over	47	$9.73	$316.80
18 to 64 years	18	6.36	114.70
Total blind	65	6.64	431.00
The aged: 65 years and over, exclusive of the blind listed above	870	6.77	3,860.25
The permanently and totally disabled: 18 to 64 years of age	112	6.42	718.75
Dependent children:			
Children in own family homes	370	3.63	1,342.50
Relatives caring for children	11	6.14	67.50
Total in proposed social-security categories	1,128	5.68	6,420.00
Categories not covered in H. R. 6000:			
Partially or temporarily disabled, 18 to 64 years of age	77	6.50	500.75
Children in foster-family homes	43	10.35	445.00
Total in categories not in H. R. 6000	120	7.88	945.75
Grand total	1,248	5.90	7,365.75

NOTE.—Average monthly expenditures are $7,500. Municipal appropriations for 1950 total $80,500 or average of $7,208 per month. Difference of approximately $350 per month is contributed by community chest ($200 a month) and public trust funds ($150 a month).

NOTE.—This covers regular monthly grants only and does not include medical assistance and emergency aid for food, clothing, rental, etc.

Dr. FERNÓS-ISERN. I am humble in my gratitude to Chairman A. Sidney Camp and the other distinguished members of the House of Representatives who accompanied him to Puerto Rico as members of his subcommittee. It is a conscientious report. It is also a noble report. The report is eloquent and truly descriptive beyond anything which I might add.

Two million American citizens comprise the population of Puerto Rico. They are needfully eager, as Americans, to share in the benefits of the social-security program. Extension of old-age and survivors insurance to Puerto Rico, as well as public assistance is important. All of Puerto Rico, the people and their chosen leadership are engaged in a new type of life struggle. We call it "operation bootstrap." We are trying to lift up ourselves by our own efforts. We are doing our level best to raise the standard of living in Puerto Rico and to create new opportunities of employment, to increase production, to create an economic situation wherein fewer and fewer people will have to depend on public assistance for survival, lest they wither and die of slow starvation. We are doing this with our fullest determined effort and with the total resources at our command. It is a steep uphill climb. It is a tremendous task. But we are doing it and we are going to do it.

Since they are doing their part, I ask of this committee in the name of my 2,000,000 people and in the name of Christian principles that they be given a helping hand in their "bootstrap operation." It is not only public assistance which we need and want. It is a share also in the old-age and survivors insurance system.

As this system develops in Puerto Rico, and as our "operation bootstrap" succeeds, and as our industrialization program accelerates ahead our need for public assistance will lessen and lessen.

Senator KERR. I want to ask, right there, if you would give us a brief résumé of what you refer to as your "industrialization program."

Dr. FERNÓS-ISERN. Sir, Puerto Rico traditionally has had an agricultural economy.

The CHAIRMAN. Sugar is your main product of export?

Dr. FERNÓS-ISERN. At present; yes, sir. Formerly, in the past century, it was mainly coffee. Coffee was our main export, and sugar was not so important. With the change of sovereignty and the change of economic relationships and commercial relationships, sugar became the most important, and coffee has become rather unimportant.

But for many years we have continued to be an argicultural country, depending mainly on sugar, on some tobacco, some fruits, and some coffee.

Senator KERR. What is the area of Puerto Rico?

Dr. FERNÓS-ISERN. Thirty-five hundred square miles.

The CHAIRMAN. Can you give us, here, the number of people gainfully employed? Approximately, anyway? I understand Congressman Camp is coming over to appear here following your testimony.

Dr. FERNÓS-ISERN. Yes, sir. I think I recall, but I would like to look up the figures before I say I am positive.

The CHAIRMAN. Perhaps Mr. Davis, here, can supply you with that.

Dr. FERNÓS-ISERN. The labor force, including the armed forces, would be 689,000; total nonmilitary employment, 642,000.

Now, we have been applying in Puerto Rico for 50 years modern methods of public health, directed toward the diminishing of disease and the lowering of the death rate, and therefore, with a sustained birth rate and a decreasing death rate we have had a great increase in population.

Senator KERR. What is your present population?

Dr. FERNÓS-ISERN. Our present population is 2,000,000, sir.

Senator KERR. Was that the 1940 census, or is that estimated?

Dr. FERNÓS-ISERN. That was the 1949 estimate. I would say it would now be a little over 2,000,000.

The CHAIRMAN. How many of your people gainfully employed are in agriculture?

Dr. FERNÓS-ISERN. In agriculture, forestry, and fisheries, there are 251,000; in sugarcane, there are 139,000; in tobacco, 7,000; in coffee, 11,000; in other farms, 92,000.

The CHAIRMAN. Thank you, sir.

Senator KERR. Your population is between 575 and 600 to the square mile?

Dr. FERNÓS-ISERN. It is about 640, I believe. It is a very densely populated Island.

Senator KERR. About one person to the acre?

Dr. FERNÓS-ISERN. It is slightly less populated, I would say, than Rhode Island and Connecticut, but very close to it.

Senator KERR. You were about to tell me about what you meant when you referred to your industrialization program.

Dr. FERNÓS-ISERN. Yes, sir. Well, we realize that it is impossible to sustain a large population, an increasing population, on land that does not increase, where the area is the same. Therefore, we realized that we had to industrialize.

Of course, we have industrialized in sugar, for instance. We have sugar mills. We raise sugarcane, and we make sugar. There, still,

we are limited by law. Under the Sugar Act we may not produce more than so much sugar. And this year, for instance, we have had quite a problem, because our production went way ahead of the quota allowed, and we had no market. And finally—and in this we had the very valuable help of my friend Congressman Camp and his colleagues—we were able to sell 220,000 tons in the world market through ECA; of course, at a lower price than the domestic market. That has meant quite a reduction in the income for Puerto Rico as compared with what Puerto Rico would have received if all sugar had been sold in the domestic market.

Senator KERR. But, by reason of that surplusage over your allotment, actually your total income was increased, was it not?

Dr. FERNÓS-ISERN. That is right. But I mean that the income that we get from sugar sold in the world market is less than if sold in the domestic market.

Senator KERR. I understand. But both the regulation with respect to limitation and the agreement of the producers with reference to limitation is calculated by both to limit that production to where that surplus does no exist, as I understand it?

Dr. FERNÓS-ISERN. The way it has worked, sir, is that the growers could never know what amount of sugar they would be able to sell. Because they know that there is a quota, but they also know that there are deficits in the other areas, and that those deficits are to be filled with surpluses from other areas. And as a matter of fact, during the 3 years that the present Sugar Act has been in effect, the other domestic areas have always had deficits, while the Puerto Rico area has always had surpluses; the reason being, in our estimation, that our quota was determined, under the law, below our producing capacity.

Senator KERR. Is not the very principle of the quota based on the assumption that the production would be less than it could be from any given area of production? Otherwise, why would there be quotas?

Dr. FERNÓS-ISERN. Well; the quotas are, of course, aimed at determining——

Senator KERR. Are not the quotas aimed at reducing production below that which can be produced? That is the purpose of them, is it not?

Dr. FERNÓS-ISERN. That is right.

Senator KERR. So that when you produce, you know that you are going to get a certain price for your quota, and you know that for what you produce above the quota you have no such assurance, in the absence of a shortage somewhere which would let your surplus in, and that otherwise you must calculate that you will sell it in the world market if you sell it at all. Is that not correct?

Dr. FERNÓS-ISERN. The law, sir, contemplates the existence of a carry-over.

Senator KERR. Who carries that over?

Dr. FERNÓS-ISERN. Whatever area has it.

Senator KERR. The producers?

Dr. FERNÓS-ISERN. That is right.

Senator KERR. So that if you sell it at all, you have got to sell it in the world market.

Dr. FERNÓS-ISERN. Or keep it for the next year's quota.

Senator KERR. Then you would not be selling it.

Dr. FERNÓS-ISERN. Not that year. You would have to wait until the following year. But it is so difficult to determine what the production in each area will be that it is safe in the national interest to expect that some area may always have a surplus. Otherwise, we would have to draw on Cuban sugar to fill in any deficit in any one of our areas.

Senator KERR. But as far as I am concerned, I do not concur in your line of reasoning, there, that the selling of the surplus in the world market brought about a shortage of income.

Dr. FERNÓS-ISERN. It brought in an income lower than we would have had if our quota was larger.

Senator KERR. And it also brought in an income greater than you would have had if your production had been limited to your quota.

Dr. FERNÓ-ISERN. That is right. That is why we prefer to sell rather than to keep the carry-over for next year.

Senator KERR. Now, then, do you want to answer the question I asked you about what you mean when you say "our industrialization program"?

Dr. FERNÓS-ISERN. I was saying that we have industrialized, and we had industrialized before, on sugar. We have established refineries for sugar refining; although there, again, we are limited to refining only 126,000 tons out of our quota of 910,000.

Senator KERR. Is not the gist of your industrialization program that anybody who comes down there and establishes an industry has the advantage of not paying any Federal income tax?

Dr. FERNÓS-ISERN. I would not quite express it that way, Senator.

Senator KERR. How would you express it?

Dr. FERNÓS-ISERN. I would say that Federal income tax does not apply to Puerto Rico.

Senator KERR. Well, does that mean they do not have to pay it?

Dr. FERNÓS-ISERN. That is right. The Federal income-tax law does not apply in Puerto Rico. We have an insular income-tax law.

Senator KERR. Is your industrialization program one where the island has been building the plants and then leasing them to private industry, which has the opportunity of operating them and selling their products in the American market without either paying tariff or Federal income tax on their profit?

Dr. FERNÓS-ISERN. Well, the island is——

Senator KERR. Is my statement accurate?

Dr. FERNÓS-ISERN. I would like to give a little explanation.

Senator KERR. I do not care how much you explain it. I would like to know if it is accurate.

Dr. FERNÓS-ISERN. Well, I will put it this way, Senator. The insular legislature has passed a law providing for tax exemption for new industries coming into the island for a number of years, so as to give facilities to expanding capital from the mainland to establish itself in Puerto Rico. Of course, Puerto Rico is within the tariff system. Our market is Puerto Rico itself and the mainland, in the same fashion——

Senator KERR. I am not complaining about the arrangement. I am just trying to get an accurate statement in the record.

Dr. FERNÓS-ISERN. Yes. Therefore, there is a law establishing a tax holiday for new industries after the executive council of the is-

land, which grants these exemptions, is satisfied that it is a new industry and that it is going to create new opportunities for work in the island.

Senator KERR. Does that exemption from taxation have to do with taxation within the island, or with the Federal income tax?

Dr. FERNÓS-ISERN. It is taxation within the island, but since Federal income tax does not apply to the island, any industry whether old or new in Puerto Rico is under the insular income-tax law but is not under the Federal income-tax law.

Senator KERR. The insular income-tax law? Explain to the committee how that works.

Dr. FERNÓS-ISERN. The insular law? Or the Federal law?

Senator KERR. You said they were under the insular income-tax law.

Dr. FERNÓS-ISERN. The insular income-tax law of Puerto Rico is very much like the Federal. It applies there under the rates as determined by the insular legislature. Now, in the case of these new industries coming in, they are exempt from that tax as well as from the other insular taxes.

Senator KERR. Then the gist of the industrialization program to which you refer is that industry has the opportunity of operating there without paying either what we would refer to as State, or Federal taxes?

Dr. FERNÓS-ISERN. Yes, sir.

Senator KERR. And what part of your industry is it where the insular government has built the plant or has made the capital investment and has leased it or rented it to the operators on a year-to-year or term basis?

Dr. FERNÓS-ISERN. Sir, at the beginning of this program we knew, had seen from experience, that private capital was very loath to start new industries in Puerto Rico. There seemed to be an idea that no industry had a chance there, excepting sugarcane and maybe tobacco and coffee. Therefore the insular government created a government agency to show the way. And at first they established some industries themselves.

Senator KERR. Did they operate them themselves, or did they build them and lease them to others to operate?

Dr. FERNÓS-ISERN. The first of them were operated by this agency itself: the cement plant, the bottle plant, and some few others. Now, there was a shoe factory established. It has already been sold. The others are in the process of being sold, now that private industry has seen that these industries can be developed in Puerto Rico. Of course, that was just the beginning. Later this agency would just help the new industries to establish themselves, maybe by building the plant and leasing it and letting private industry go ahead.

Senator KERR. Now, then, can you answer my question as to what percent of the present industrial structure there is in connection with plants which have been built by the insular government and leased to private operators?

Dr. FERNÓS-ISERN. I couldn't answer that question accurately.

SENATOR KERR. Could you answer it roughly?

Dr. FERNÓS-ISERN. Sir?

Senator KERR. Could you make an estimate?

Dr. FERNÓS-ISERN. I hardly could say that. I can mention them. I can mention the plants, but I cannot give an estimate. Each one of them has been established, maybe, under slightly different conditions, depending upon the nature of the industry.

Senator KERR. How many sugar mills do you have?

Dr. FERNÓS-ISERN. We have about twenty-five-odd.

Senator KERR. How many of them were built by the Government?

Dr. FERNÓS-ISERN. None of them. That is not a new industry, you see.

Senator KERR. All of them were built by private capital?

Dr. FERNÓS-ISERN. That is right.

Senator KERR. Do any of them pay any insular or Federal taxes?

Dr. FERNÓS-ISERN. They all do. The sugar mills all do.

Senator KERR. Do what?

Dr. FERNÓS-ISERN. Pay.

Senator KERR. Pay what?

Dr. FERNÓS-ISERN. Taxes.

Senator KERR. Every tax. I asked you if any of them pay insular and Federal income taxes.

Dr. FERNÓS-ISERN. Federal? No, sir. Because the Federal income taxes do not apply to Puerto Rico.

Senator KERR. Then none of them pay any Federal income tax, but all the sugar mills do pay insular tax?

Dr. FERNÓS-ISERN. That is right.

Senator KERR. Now, what other industries do you have?

Dr. FERNÓS-ISERN. We have cigar making. That is not a new industry, either. That is not exempt. It couldn't be exempt. We have two cement factories.

Senator KERR. Who built them?

Dr. FERNÓS-ISERN. One of them, the first one, was built by the Federal Government. It is now being run by the insular government. The second one was established by private industry.

Senator KERR. Who built it?

Dr. FERNÓS-ISERN. Private industry, a private concern, a local private concern.

Senator KERR. One of them is now operated by the insular government and the other by a private operator?

Dr. FERNÓS-ISERN. Yes, sir.

Senator KERR. Does the private operator of the cement plant pay any insular taxes?

Dr. FERNÓS-ISERN. Yes, sir.

Senator KERR. I thought you said if they were a new industry you exempted them.

Dr. FERNÓS-ISERN. In this case, it is not a new industry, because we already had this industry there.

Senator KERR. All right. Then what is the new industry that does not pay insular taxes?

Dr. FERNÓS-ISERN. A new industry, according to the interpretation of the law there, is an industry that didn't exist before.

Senator KERR. I am not interested in the interpretation of the law. I am asking for an example.

Dr. FERNÓS-ISERN. For instance, we have now no factory in plastic production, and somebody who wishes to come down there to establish a factory could do so.

Senator KERR. Is that an example of one that has been established?

Dr. FERNÓS-ISERN. No; it is one that we have not established.

Senator KERR. Do you have any such industry?

Dr. FERNÓS-ISERN. I did not get your question, sir.

The CHAIRMAN. He wishes to know if any new industry which is exempt for a period from the insular tax has actually been established.

Dr. FERNÓS-ISERN. Yes, sir.

Senator KERR. And in operation?

Dr. FERNÓS-ISERN. Yes, sir.

The CHAIRMAN. He is asking you to enumerate those.

Dr. FERNÓS-ISERN. Yes, sir. There has been a textile plant established at Ponce. That is supposed to be exempt. It is new.

Senator KERR. How many people does it employ?

Dr. FERNÓS-ISERN. I understand it employs 250.

Senator KERR. Those are the examples that I would like to have you give us, if you know of them.

Dr. FERNÓS-ISERN. Yes, sir. There is another one.

Representative CAMP. I have a list of every one they have there. We went to see them all.

The CHAIRMAN. Congressman Camp headed a subcommittee from the Ways and Means Committee that actually visited the island.

Dr. FERNÓS-ISERN. A new industry there would be shoes, for instance. There is a shoe factory now there. It is a new industry, there, and we never had it before. So it is exempt for a period of time.

Senator KERR. How long a time?

Dr. FERNÓS-ISERN. Twelve years.

Senator KERR. Do you have a list there of the so-called new industries exempt from both Federal and insular income taxes?

Dr. FERNÓS-ISERN. I have a list here of the industries that would be eligible, because we did not have them there.

Senator KERR. I understood the Congressman to say that that was a list of those that he had visited there.

Representative CAMP. That is taken from their exemption law, which ran 12 years from a certain date. Any time during that time if a new industry applied their executive council might grant that new industry a tax exemption. That list there is a list of factories that are already operating on the island, which, of course, includes sugar, sugarcane mills, cigar factories, and so on. Of course, any one of those coming in would not be under that law as a new one. So anything other than that list might under the law get the exemption.

Senator KERR. I was just trying to get from the doctor or from anybody who has it an accurate list of the industries now in operation in the island, or being built for operation in the island, which are exempt from either insular or Federal taxes.

Mr. DAVIS. We shall be very glad to supply that for the record, Senator Kerr.

Dr. FERNÓS-ISERN. The actual list of the factories now there?

Senator KERR. Or being constructed.

Dr. FERNÓS-ISERN. Or being constructed. I will be glad to furnish that to you.

Senator KERR. Fine.

(The matter referred to is as follows:)

HOUSE OF REPRESENTATIVES,
Washington, D. C., March 3, 1950.

Hon. ROBERT S. KERR,
United States Senate, Washington, D. C.

DEAR SENATOR KERR: In accordance with the request you made during my appearance before the Senate Finance Committee in connection with social-security legislation, I am forwarding herewith the following documents:

1. Copy of the resolution of the Puerto Rican Exemption Council with reference to tax exemptions.
2. Copy of the tax-exemption law of Puerto Rico.
3. A list of industries and firms operating in Puerto Rico which are exempt from insular tax.
4. A list of industries operating in Puerto Rico which are not exempt from insular tax.
5. A list of industries which may be contemplating establishing themselves in the island under tax exemption.

Very sincerely,

A. FERNÓS-ISERN,
Resident Commissioner.

IN THE EXECUTIVE COUNCIL OF PUERTO RICO

RESOLUTION

STATEMENT OF POLICY RE TAX EXEMPTION

Whereas the Executive Council of Puerto Rico is designated by law as the Agency to administer the "Industrial Tax Exemption Act of Puerto Rico";

Whereas it is the desire and intention of the Council to administer the Act in such a manner as to promote the industrial development of Puerto Rico, to raise the standard of living of the people of Puerto Rico and to encourage the development of industries which will be mutually beneficial to the economy of Puerto Rico and that of the United States;

Whereas the provisions of the "Industrial Tax Exemption Act of Puerto Rico" give the Executive Council and the Governor of Puerto Rico certain latitude for administrative discretion in the administration of this Act;

Whereas it is the belief of the Executive Council that the policies of the Council now governing the administration of the Act should be made known to all parties who may wish to take advantage of its benefits: *Now, therefore, be it Resolved by the Executive Council of Puerto Rico,* That the following policies shall govern the administration of this Act:

1. PETITIONS WILL BE DECIDED PROMPTLY.—Petitions for tax exemption pursuant to the "Industrial Tax Exemption Act of Puerto Rico" shall be processed with all possible speed consistent with good administration and the safeguarding of the interests of the People of Puerto Rico and of the United States. To this end, all agencies of the Insular Government concerned in the processing of petitions shall give high priority to all work necessarily in connection with the processing and consideration of petitions for exemption.

2. NO LABOR EXPLOITATION.—Within the limits of the framework of the Law, it shall be the policy of the Council to encourage those industries which tend to pay reasonably high wages and no encouragement will be given to industries which pay unnecessarily low rates or which tend to indulge in practices which lower the standard of living or working conditions of labor. Industries employing factory labor will be given particular encouragement, but the fact that an industry, otherwise eligible for tax exemption, will distribute all or part of its materials for production at the homes of the workers will not, of itself, be a bar to tax exemption.

3. PREMIUM ON GOOD LABOR RELATIONS.—To the full extent of the powers granted it by law in the administration of the "Industrial Tax Exemption Act of Puerto Rico", the Executive Council will offer encouragement to individuals or firms whose record of relations with labor is good, and no industry will be encouraged to locate in Puerto Rico where it appears that the primary purpose of locating in Puerto Rico is to escape labor disputes reported to a government agency or of which a government agency has taken jurisdiction.

4. MUTUAL BENEFITS TO PUERTO RICO AND UNITED STATES ECONOMIES.—It is the intention of the Executive Council to administer the tax exemption act in such a way as to encourage and promote industry which will benefit the Puerto Rican and United States economies. To this end, the Executive Council will use the powers granted to it in the "Industrial Tax Exemption Act of Puerto Rico" to encourage those industrial enterprises which represent an expansion of existing industries or the development of new fields of industry. The benefits of the tax-exemption program will not be used to encourage any industry to move to Puerto Rico at the expense of injuring United States industrial communities by closing plants or curtailing production in those areas.

In passing upon any petition for tax exemption presented by a petitioner which has closed down or which proposes to close down a plant in the continental United States and which proposes to establish a new plant in Puerto Rico, the Executive Council will give due weight to the following factors:

(a) Whether or not the decision to close the old plant was made prior to the time Puerto Rico was considered as a possible site for the new plant;

(b) Whether or not the decision to close the old plant was the result of local factors having no connection with the Puerto Rico Tax Exemption Program, such as the zoning out of the old plant, inadequate factory space, inaccessibility to market, excessive freight on raw materials or other similar factors;

(c) Whether or not the nature of the business, the volume or production, and the employment thereof is such as to affect materially the economy of the community in which it is located.

ACT No. 184

THE INDUSTRIAL TAX EXEMPTIONS ACT OF PUERTO RICO

As amended by Act No. 352 of May 14, 1940; Act No. 355 of May 14, 1940; Act No. 365 of May 15, 1940

AN ACT To declare the policy of The People of Puerto Rico in connection with temporary tax exemption for new industries; to determine which industries shall be eligible for the benefits of this Act; to establish the nature, extent, and scope of the temporary tax exemption to be granted to said eligible industries; to authorize the Executive Council of Puerto Rico to grant temporary tax exemption to said eligible industries, and to revoke the same in certain cases, and to make such rules and regulations as may be necessary for such purposes; to repeal Act No. 346, approved May 12, 1947, and Act No. 22, approved December 5, 1947; and to appropriate the sum of thirty thousand (30,000) dollars, in order to carry out the purposes of this Act

STATEMENT OF MOTIVES

The Legislature of Puerto Rico, by the present Statement of Motives and by the instrumentality of this Act, declares:

That, considering the limitations in territory, in agricultural wealth, and in other natural resources of Puerto Rico, it is an unavoidable duty of our Government to promote the industrial development of the country in order to raise the standard of living of the people of Puerto Rico and to give a sound foundation to its economy.

That in order to ensure the most effective development of the necessary industrialization, so as to lay a solid foundation for Puerto Rican economy, it is necessary to give to all new industries as well as to some of the industries already established and which have a potentiality for expansion because they have not yet reached their full development, the greatest possible encouragement by granting them tax exemption subject to the fulfillment of certain conditions.

For the most efficient employment of our human resources, the most fruitful utilization of our limited natural resources, the assurance of ample employment opportunities for our labor masses, the remedying of the unemployment arising from the inability of our agriculture to absorb all the available hands, it is necessary that the Government of Puerto Rico shall prepare to wage the battle of production, by providing individuals and entities with the encouragement and facilities that will render commercially attractive the establishment of new industries in Puerto Rco, as well as the development of those industries already in operation which are capable of expansion.

In order that the encouragement tendered by this Act in the form of tax exemption for the promotion of the industrial development of Puerto Rico may be an incentive, having a real and unmistakably sure basis, the Legislature of Puerto Rico hereby declares that it considers all tax exemptions granted under the provisions of this Act as being in the nature of a contract or agreement

between the Government of Puerto Rico and the industry receiving the benefit of the exemption, and that it proposes not to adopt any legislation which may impair or limit such exemption or which may defeat the purposes of this Act.

The Legislature of Puerto Rico considers that the industries listed below, and denominated in this Act as "designated industries," are industries established in Puerto Rico, which have good prospect for further development; that their expansion is necessary for the promotion of the Puerto Rican economy, and that they deserve, therefore, to enjoy the benefit of tax exemption granted to them by this Act.

1. Articles produced by assembling plants. By assembling plants shall be understood those factories engaged in the production of articles of commerce, excluding furniture, by the joining of parts, provided that the cost of the work of assembling the article represents such a substantial part of the total cost of the article, that in the judgment of the Executive Council, the industry deserves the exemption herein provided for.
2. Articles of straw, reed, and other fibers.
3. Artificial flowers.
4. Balls for baseball and other sports.
5. Bedsprings and mattresses.
6. Billfolds and other articles made of leather or imitation leather.
7. Bodies for motor vehicles.
8. Candles.
9. Candy.
10. Canned products.
11. Ceramics, including bricks, roof tiles, sanitary ware, tiles of all kinds, and other clay products.
12. Cheese.
13. Cigars.
14. Cigarettes.
15. Cinematographic jobs in motion pictures produced and exhibited for commercial purposes.
16. Cosmetics.
17. Cotton, silk, or rayon hosiery.
18. Crackers.
19. Edible oils and fats.
20. Fiber from the coconut and other fibrous plants, and articles and products derived therefrom.
21. Fishing tackle, including nets and rods.
22. Furniture except what is provided under No. 1 above.
23. Polishing of diamonds and other precious and semiprecious stones.
24. Glassware.
25. Gloves.
26. Matches.
27. Paperboard and paper pulp.
28. Pottery.
29. Candied citron.
30. Candied or preserved fruits.
31. Rugs.
32. Shoes and slippers.
33. Soaps.
34. Food pastes.
35. Tannery products.
36. Tin containers.
37. Toys.
38. Water and oil paints.
39. Cattle and poultry food mix in general.
40. (*As amended by Act No. 355, of May 14, 1949*).—Men and women outerwear, including, but not limited to, dresses and coats, provided the cutting of materials therefor is done in Puerto Rico.
41. Any article of commerce manufactured mainly from textiles, and which is produced in Puerto Rico, provided ninety (90) percent or more of the cost of the textiles used in the manufacture thereof, covers textiles produced in Puerto Rico; *Provided, however,* That for the purpose of computing the said ninety (90) percent any lace, drawn work, mesh, ribbons, braids, rick-rack, and narrow elastic and nonelastic fabrics used in the manufacture of said article shall be disregarded.

The Legislature of Puerto Rico considers that the Puerto Rican climate and landscape make of our Island an excellent tourist spot, but that it is not possible to attract tourists to Puerto Rico if we lack accommodation facilities. For the purpose of encouraging the construction and maintenance of hotels which will afford suitable accommodations for tourists, and considering what that will mean for the expansion of our trade, the Legislature of Puerto Rico deems it necessary to grant tax exemption to such hotels as, in compliance with the provisions of this Act, guarantee accommodation facilities which will make tourists a good source of income for Puerto Rico.

Be it enacted by the Legislature of Puerto Rico:

SECTION 1. DEFINITIONS.—

As used in this act, the following terms shall have the following meanings:

a. *Designated Industry.*—Any of the forty-one (41) industries listed in the Statement of Motives of this Act.

b. *Manufactured Products.*—The term "manufactured products" shall mean not only all products transformed from raw materials into articles of commerce finished by hand or machinery, but also any product the value of which, in the judgment of the Executive Council, is substantially increased by processing, assembling, or extracting.

c. *Industrial Unit.*—Any plant, factory, machine, or machine ensemble having a capacity for performing the major functions involved in the production of a manufactured product on a commercial scale. A plant, factory, machine, or machine ensemble may be considered as a separate industrial unit, within the meaning of this Act, even though it may use, in common with other industrial units, certain minor facilities such as, but without limitation, sections of buildings, power plants, warehouses, material conveyors, or other minor production facilities. In the case of such facilities which are being used in common, the Executive Council may limit the tax exemption to a part of the value of such facilities in proportion to the use which the industrial unit eligible for exemption may make of such facilities, the determinant factors of such use being, among others, the space occupied, the time and nature of the use, and its importance to said industrial unit.

d. *Productions on a Commercial Scale.*—Productions for sale on the market in the normal course of business in quantities and at a price which justifies the operation of an industrial unit as a going business.

e. *Hotel.*—Any building or group of buildings principally and bona fide devoted to the furnishing of sleeping accommodations for pay primarily to transient guests, in which no less than fifteen rooms are furnished for the accommodation of such guests and having one or more dining rooms where meals are served to the general public; provided such facilities are operated in Puerto Rico under conditions and standards of sanitation and efficiency acceptable to the Executive Council of Puerto Rico. Hotels may be of two classes, tourist and commercial hotels, each of which is hereafter defined.

f. *Tourist Hotel.*—Includes a hotel operated primarily in the interest of the tourist trade and which shall have as an integral part thereof, within the limits of the hotel site, and in proportion to its maximum accommodation facilities, one or more of the following typical tourist attractions:

(1) Beach of lake development, swimming pool, or both, with adequate bathing or other water sport facilities, efficiently to serve its guests.

(2) Rural or semi-urban hotel location including ample grounds around the hotel structures, and adequate facilities for horseback riding, hiking, game courts, or other outdoor sports, and provided the hotel operation is devoted efficiently to serving its guests with such facilities.

g. *Commercial Hotel.*—For the purposes of this Act all other hotels not comprised within the limitations of the above definition of tourist hotels shall be considered as commercial hotels.

h. "*Exemption Period*" the period starting on July 1, 1947 and ending June 30, 1962.

The other terms employed herein, unless otherwise specifically provided, shall have the same meaning as in a similar context in Act No. 74 of August 6, 1925, as amended, and regulations thereunder.

SECTION 2. ELIGIBLE INDUSTRIES.—There shall be eligible for tax exemption under the provisions of this Act:

a. Any industrial unit having as its object the production on a commercial scale in Puerto Rico subsequent to January 2, 1947, of any manufactured product not in production on a commercial scale in Puerto Rico on said date, and for

which there were on such date in Puerto Rico no manufacturing facilities capable of the production of said manufactured product on a commercial scale.

b. Any or all the industrial units of one of the designated industries, when a new unit of said industries has begun or begins its production on a commercial scale, for the first time, on any date subsequent to May 12, 1947, provided the new industrial unit, in the judgment of the Executive Council:

1. Is established or is proposed to be established in good faith and with a permanent character.

2. Produces or proposes to produce, or has or will have capacity to produce, a substantial share of the articles of commerce, additional to that produced in Puerto Rico annually, on an average, by all existing units of such designated industry, during the three years prior to the date of the establishment of the additional industrial unit.

3. Secure a tax exemption under the provisions hereof.

c. Hotels, as defined in Section 1 (e), 1 (f) and 1 (g) of this Act, and operated in Puerto Rico under conditions of sanitation and efficiency acceptable to the Executive Council of Puerto Rico.

d. (*As amended by Act No. 365, of May 14, 1949*). Any industrial unit which, although qualifying for a tax exemption under the provisions of Act No. 94, approved May 14, 1930, applied for a tax exemption but failed to obtain it under such Act; or any industrial unit which did not apply for tax exemption under said Act because it has been established by the Government of Puerto Rico or by any of the instrumentalities thereof for which reason it was not subject to taxation, provided, the said government industrial unit started operations on a business basis after May 11, 1942; or any industrial unit enjoying tax exemption under said Act at the time of the taking effect of this Act on May 13, 1948, provided said industrial unit produces raw materials which are essential to other industrial or agricultural operations established in Puerto Rico, and proves to the satisfaction of the Executive Council of Puerto Rico, that it requires the tax exemption to be able to continue operating.

e.[1] The Executive Council of Puerto Rico may, in the exercise of a sound judgment, deny the tax exemption in any of the cases listed under subdivisions (a), (b), and (d) of this section; when in its judgment, the article of commerce produced or to be produced by the applicant, because of the use thereof or other factors, will be a substitute for, or a competitor with substantial advantage on account of the exemption, of similar articles of commerce produced by industries established in Puerto Rico; *Provided, however*, That notwithstanding the foregoing provisions, the Executive Council may grant the exemption whenever in its judgment, the applicant eligible industry represents a substantial gain for the general economy of Puerto Rico by reason of the employment opportunities it may provide, the prospects for the development thereof in a higher scale in Puerto Rico, and the quality and efficiency in the use, or in the benefit to the community, of the article of commerce which the applicant eligible industry produces or will produce. With the exception of the industries for the manufacture of concrete blocks, the Executive Council, may, in granting exemption to any industry under the aforesaid circumstances, on petition of the interested party grant said exemption to such other existing industries manufacturing similar articles of commerce as in its judgment will sustain substantial prejudice because of the substitution or competition referred to in this paragraph.

SECTION 3. APPLICATIONS FOR INDUSTRIAL TAX EXEMPTION.—Any natural or artificial person who has established or proposes to establish in Puerto Rico an eligible industry, may apply to the Executive Council of Puerto Rico for tax exemption.

SECTION 4. GRANTS OF INDUSTRIAL TAX EXEMPTION—a. *Industries.*—After it is proved to the satisfaction of the Executive Council, that an applicant has established or will establish in Puerto Rico an eligible industry, the Executive Council shall declare the industry tax-exempt and shall grant the applicant, in accordance with the schedule of rates set forth in paragraph (a) of Section 5 of this Act, exemption from:

(1) Insular or municipal taxes, or taxes of the Government of the Capital, on such property to be employed or which is employed in the development, organization, construction, establishment, and operation of said exempted industry.

[1] Designated as subdivision e, by virtue of Act No. 352, of May 14, 1949.

(2) Taxes on the income which the applicant may derive from the operation of said exempted industry.

(3) License fees, excises, or other municipal taxes levied by any ordinance of any municipality or of the Government of the Capital on said exempted industry.

b. *Hotels.*—In the case of hotels, after it is proved to the satisfaction of the Executive Council that the applicant is operating or will operate a hotel in Puerto Rico under conditions of sanitation and efficiency acceptable to the Executive Council, the said Executive Council shall declare said hotel tax-exempt, and shall under the provisions of this Act, grant such hotel tax exemption from:

(1) Municipal and insular taxes, or taxes of the Government of the Capital, on such real and personal property as, in the judgment of the Executive Council, is necessary for the development, organization, construction, establishment, and operation of said hotel in accordance with the applicable schedule of rates set forth in paragraph (b) or (c) of Section 5 of this Act.

(2) Taxes on such income as the applicant may derive from the operation of said hotel in accordance with the applicable schedule of rates set forth in paragraph (b) or (c) of Section 5 of this Act.

SECTION 5. RATES OF EXEMPTION.—For the purposes of this Act, the following rates of exemption shall apply on and after the effective date of the exemption and up to June 30, 1962, on which date all tax exemptions shall expire:

a. *Eligible Industries—*

Taxable period covered	Percent of tax exemption		
	Property taxes	Income taxes	License fees and other municipal taxes
July 1, 1947, to June 30, 1959	100	100	100
Fiscal year 1959–60	75	75	75
Fiscal year 1960–61	50	50	50
Fiscal year 1961–62	25	25	25

b. *Tourist Hotels—*

Taxable period covered	Percent of tax exemption	
	Property taxes	Tax-exempt income
July 1, 1947, to June 30, 1959	100	100
Fiscal year 1959–60	75	75
Fiscal year 1960–61	50	50
Fiscal year 1961–62	25	25

c. *Commercial Hotels—*

Taxable period covered	Percent of tax exemption	
	Property taxes	Tax-exempt income
July 1, 1947, to June 30, 1959	50	50
Fiscal year 1959–60	37.5	37.5
Fiscal year 1960–61	25	25
Fiscal year 1961–62	12.5	12.5

SECTION 6. INCOME TAX EXEMPTION ON PROFIT OR DIVIDEND PAYMENTS.—a. Dividend or profit distributions by a corporation or partnership exempted hereunder from the payment of taxes, made from the income derived from the

operations thereof covered by the exemption, and paid to the following stockholders or partners, shall be tax-exempt in the same proportion as said incomes are tax-exempt with respect to said corporation or partnership pursuant to the provisions of the preceding Section 5;

1. Persons residing in Puerto Rico.

2. Persons not residing in Puerto Rico who are not obligated to pay, in any jurisdiction outside Puerto Rico, any tax on income derived by them from any source in Puerto Rico.

b. Any distribution of dividends made by a corporation exempted hereunder from payment of taxes shall be considered as made from gains or profits exempted from taxes under this Act, provided on the date of distribution the latter does not exceed the undistributed balance of such gains or profits.

In the cases of corporations which, on the effective date of their tax exemption hereunder, have accumulated a surplus, dividend distributions made on and after said date shall be considered as made from the undistributed balance of said surplus, but after the latter is exhausted by virtue of such distributions the provisions of the preceding paragraph shall be applicable.

(1) No profit or loss shall be recognized if the shares of a tax-exempt corporation, which have been acquired through purchase or otherwise, are sold or exchanged on or before the termination date of the tax exemption granted to the corporation.

(2) Profit or loss shall be recognized if the shares of a tax-exempt corporation which have been acquired by purchase or otherwise, are sold or exchanged after the corporation's exemption termination date. The profit derived from the sale or other disposition of such shares shall be the surplus of the amount received in such sale or disposition over the base established by subdivision (c) of this Section, and the loss shall be the excess of said base over the amount received.

c. To determine the profit or loss derived from the sale or other disposition, made after the exemption termination date, of shares of a tax-exempt corporation, which shares have been acquired through purchase or otherwise before the corporation's exemption termination date, the larger of the following bases shall be used: (1) the value of such share on the exemption termination date according to the books of the corporation less the amount of any tax-exempt distributions received on said shares after said date, or (2) the cost of said shares, less the amount of any tax-exempt distributions received on same before and after the exemption termination date.

SECTION 7. LIQUIDATION OF TAX-EXEMPT CORPORATIONS.—If on or before June 30, 1962, or any other larger date, in case that the end of the exemption period provided for hereunder has been extended (the said date of June 30, 1962, or such later date, being hereinafter termed "exemption termination date") any property, including money, is received by a domestic or foreign corporation (herein called the transferee) on complete liquidation of another domestic or foreign corporation (herein called the transferor); and if, on the date of such receipt by the transferee, the transferor is entitled to a tax exemption granted hereunder, no income tax shall be assessed on or be paid by the transferor or the transferee with respect to such liquidations, only if—

(a) The transferee was on the date of adoption of the liquidation plan, and has continued to be at all times, until the receipt of the property pursuant to said plan, the owner of at least 80% of the total combined voting power of all classes of voting stock, and the owner of at least 80% of all other classes of stock (except nonvoting stock which is limited and preferred as to dividends); and

(b) All the said property was received by the transferee pursuant to the said liquidation plan, on or prior to the exemption termination date and

(c) The distribution is liquidation by the transferor, whether at one time or from time to time, was made by the transferor in complete cancellation or redemption of all of its capital stock.

No income tax shall be assessed on or be paid by the transferor, whether or not the transferee assumes any liabilities or obligations of the transferor or receives such property subject to any liability or obligation of the transferor.

If the exemption of a transferor corporation hereunder should be terminated prior to the exemption termination date, a sum equal to the earned surplus of the transferor corporation as of the end of the fiscal year of the corporation in which the termination becomes effective, may be transferred by the transferor to the transferee under the circumstances described hereinbefore under (a) and (c),

at any time thereafter without assessment of income tax on the transferor or on the transferee.

After the exemption expiration date, a sum equal to the capital and the earned surplus of the transferor as of said date, may be transferred by the transferor to the transferee under the circumstances described under the foregoing (a) and (c), at any time thereafter, without assessment of income tax therefor on the transferor or the transferee.

By "earned surplus" of the transferor shall be understood the earned surplus according to the books of the transferor, determined in accordance with generally accepted accounting principles, but the amount thereof shall not be larger, save by the amount of the income tax exemption granted hereunder to the transferor, than the amount in case the transferor had in fact been subject to tax under the income tax provisions in force during the exemption period.

In the event of a liquidation under the circumstances described in this section, the base of the property to the transferee on subsequent disposition by the transferee and the base for allowance for depreciation or depletion, shall be the adjusted base of the property, pursuant to the provisions of the Income Tax Law in force, plus an amount equal to the earned surplus of the transferor at the beginning of the liquidation. Such surplus shall be allocated to the several properties transferred in accordance with their respective adjusted bases at the beginning of the liquidation.

SECTION 8. ADDITIONAL FUNCTIONS AND DUTIES OF THE EXECUTIVE COUNCIL.—For the proper administration of this Act, the Executive Council of Puerto Rico shall, in addition to the aforementioned powers, have the following powers:

a. To appoint the personnel it may deem necessary to carry out the provisions of this Act, and to fix the salaries thereof or any other compensation for such services.

b. To make arrangements for the holding of such public hearings as it may deem necessary, and to require of applicants for tax exemption the presentation of such evidence as will justify the exemption applied for.

c. To designate a person of trust to hear the evidence presented in relation to any application for tax exemption. Said person: (1) may summon witnesses and take the testimony thereof, as to the facts alleged or in any other way related with the tax exemption applied for; (2) shall have the power to administer an oath to any person or persons testifying before him; and (3) shall make to the Executive Council a report on the evidence adduced, together with his recommendation on the matter.

d. To provide for everything necessary for the most expeditious despatch of the applications for exemption, and for such purpose, to meet as often as may be necessary to consider pending cases.

e. To request the cooperation and assistance of any department, agency, dependency, instrumentality, or public corporation of The People of Puerto Rico, and such department, agency, dependency, instrumentality, or public corporation shall lend such cooperation in order that the provisions hereof may be enforced with the greatest effectiveness and dispatch.

f. To adopt such rules and regulations as it may deem necessary to carry out the purposes of this Act, which rules and regulations shall, upon the promulgation thereof by the Executive Secretary of Puerto Rico, have the force of law.

For the purpose of this Act, four members of the Executive Council shall constitute a *quorum*.

SECTION 9. INSULAR AGENCY REPORTS.—Before deciding on any application for tax exemption, the Executive Council shall first consider the reports on each application which shall be submitted to the said Council by the Puerto Rico Industrial Development Company, and such other Insular agencies as in the judgment of the Council should make their report on such application. Such report shall be made by the said government instrumentalities within the term the Executive Council may by regulation prescribe therefor.

SECTION 10. TAXES NOT COVERED BY EXEMPTION.—No provision of this Act shall be construed as to exempt from the payment of:

a. Workmen's compensation premiums as provided by law.

b. Fees for motor vehicle licenses or plates.

c. Taxes levied under Act No. 280, of April 6, 1946.

d. License fees or excises levied under the Internal Revenue law; PROVIDED, HOWEVER, That all laws or ordinances of general application providing for exemption from taxes and excises shall be likewise applicable to the eligible industries availing themselves of the provisions of this Act; and the tax exemption from excises on raw materials, as established by Section 72 of the Internal

Revenue Law of Puerto Rico shall be extended to the eligible industries availing themselves of the benefits hereof, even if their finished products are not taxable under the Internal Revenue Law of Puerto Rico.

SECTION 11. EFFECTIVE DATE OF EXEMPTION.—A grant of tax exemption approved by the Executive Council shall not be effective until the same has been approved by the Governor of Puerto Rico, but when so approved the grant shall be effective on and after the first day of the month following that in which the application was filed. The Treasurer of Puerto Rico shall return to the applicant whatever sum the said applicant may have paid for taxes appertaining to any period covered by the exemption.

SECTION 12. (AS AMENDED BY ACT NO. 352, OF MAY 14, 1949) PROPERTY OF THE PUERTO RICO INDUSTRIAL DEVELOPMENT COMPANY OR OF PRIVATE PERSONS DEVOTED TO INDUSTRIAL PURPOSES.—The exemptions provided for under this Act shall be extended to such personal or real property of the Puerto Rico Industrial Development Company as under said company's Aid to Industrial Development and Hotel Development plans, may be used or owned by an industry or hotel which has obtained tax exemption hereunder and to the compensation the said Puerto Rico Industrial Development Company may derive from the lease, use or usufruct of the property so used or owned.

The real property constructed or installed by any person to be leased or to be otherwise placed at the disposal of a hotel or industry exempted from taxes under the provisions of this Act shall be exempted from the payment of property taxes while the said property is used for the development, organization, construction, establishment, or operation of a hotel or industry exempt from the payment of taxes under the provisions hereof. There shall likewise be exempted from income taxes the compensation received by such person for the lease, use or usufruct of the property so used or owned by a hotel or industry exempt from taxes under the provisions of this Act. The exemption from property taxes and income taxes provided by this Act shall be in force only during the effectiveness of the tax exemption granted under the provisions of this Act to the said hotel or industry, and in the same proportion established in section 5 hereof.

In case that only a part of the real property is used for the aforesaid purposes, the tax exemption shall be extensive solely to the part of the property so used and to the part of the income derived from the lease, use, or usufruct of such part of the property.

In case additions or extensions are constructed or installed in existing real property for the purposes and uses referred to in this Act, the tax exemption shall be extensive only to such extensions or additions and to the income derived from the lease, use or usufruct thereof.

SECTION 13. OBLIGATION TO REPORT.—Any natural or artificial person covered by the benefits of this Act shall be under obligations to present to the Treasurer of Puerto Rico, pursuant to the provisions of Section 295 of the Political Code of Puerto Rico, and not later than March 15 of each year, a complete list and a correct valuation of all real and personal property declared tax-exempt under the provisions hereof, and which said persons possess in their own right or have in their possession on January 15 of each year; to file annually with the Treasurer of Puerto Rico pursuant to the Income Tax Law in force, but independently of the amount of his gross or net income, a separate income tax return, in addition to that which they may otherwise be under obligation to file in relation to the operations of the industry the object of the exemption; to keep, separately, the accounting records relative to the new industry declared tax exempt; to keep such records, make such sworn statements, present such declarations, and comply with such rules and regulations as the Executive Council may prescribe for the enforcement thereof and as the Treasurer of Puerto Rico may prescribe in connection with the levy and collection of all kinds of taxes.

SECTION 14. REVOCATION OF TAX EXEMPTION.—The Executive Council may, with the approval of the Governor and after permitting the grantee to appear and be heard before the Council, or before a "Master" appointed for such purpose who shall report his conclusions and recommendations to the Council, revoke any tax exemption granted hereunder, in the following cases:

a. When the natural or artificial person to whom the exemption has been granted fails to comply with any of the obligations imposed on him by this Act and by the regulations promulgated hereunder;

b. When the grantee of the exemption does not commence within the period fixed by the Executive Council or extensions thereof granted by the Council, the construction of the installations necessary for production of the articles which he proposes to manufacture;

c. When the grantee of the exemption fails to complete within the time fixed by the Executive Council or extension thereof granted by the Council the construction of the installations necessary for the production of the articles which he proposes to manufacture;

d. When the grantee of the exemption discontinues production on a commercial scale in the industry the object of said exemption for more than thirty (30) days without the authorization of the Executive Council.

SECTION 15. Act No. 94 of May 14, 1936, and Act No. 346, approved May 12, 1947, and Act No. 22, approved December 5, 1947, are hereby repealed: *Provided*, That all tax exemptions granted under said Acts shall remain in force, together with all benefits, rights, privileges, obligations, and limitations provided for in this Act, and the applications filed in accordance with the aforesaid Acts No. 346 and 22, both of 1947, shall be prosecuted under the provisions hereof: *Provided, further*, That all tax exemptions granted under the provisions of the said Act No. 94, of May 14, 1936, shall remain in force for the period prescribed therein and to the extent and under the conditions under which they were granted, and the Executive Council shall see to the strict enforcement of the conditions of such exemptions and shall, in case of noncompliance therewith, act in the same manner and with the same powers as the Public Service Commission would have acted under the said Act No. 94, of 1936. The Executive Council may grant, under the same terms, conditions, and scope under which it would have been granted by the Public Service Commission under the provisions of Act No. 94 of May 14, 1936, had said Act been in force, and extension of any tax exemption granted by said Commission. Natural or artificial persons enjoying tax exemption under said Act No. 94, of 1936, may avail themselves of the benefits of this Act provided they fulfill the conditions thereof.

SECTION 16. All resolutions and findings of the Executive Council and of the Governor of Puerto Rico under the provisions of this Act, shall be final, and no judicial or administrative proceedings shall lie against the same.

SECTION 17. TAX EXEMPTION TRANSFER.—The tax exemption granted hereunder shall not be transferable under any circumstance, including but without limitation, by reason of the transfer (a) of the properties of the industrial unit exempted, or (b) a majority of the voting stock of the undertaking owning such industrial unit, unless the transfer is previously approved by the Executive Council and the Governor of Puerto Rico. For the purposes of this Section, the term "transfer," shall, in addition to its ordinary meaning, mean: (1) the transfer to a single person of a majority of the voting stock of the undertaking owning the industrial unit; and (2) the transfer of stocks which do not entail directly or indirectly a change in the control of such undertaking. This prohibition shall not be applicable to transfer from subsidiary to the parent corporation thereof provided such transfer is made in the cases provided for under section 7 of this Act and the Executive Council and the Treasurer of Puerto Rico are notified in writing of the said transfer.

SECTION 18. APPROPRIATION TO CARRY OUT THE PURPOSES OF THIS ACT.—The sum of thirty thousand (30,000) dollars is hereby appropriated for the fiscal year 1948–49, from any available funds in the Insular Treasury not otherwise appropriated. The Auditor and Treasurer of Puerto Rico are hereby directed to set up in their books the sum herein appropriated, and to issue the proper appropriation warrant crediting said amount to the proper account. The Auditor and the Treasurer of Puerto Rico are hereby authorized and directed to make the proper disbursements in accordance with the procedure established by law. The remainder of the appropriation made under Act No. 346, of May 12, 1947, shall continue available for expenditure for the purposes for which said appropriation was made, notwithstanding the repeal of the said Act.

SECTION 19. SEPARABILITY.—If any clause, paragraph, article, section, or part of this Act should be declared unconstitutional by a court of competent jurisdiction, the judgment entered therefor shall not affect, prejudice, or invalidate the remainder of this Act, but its effect shall be limited to the clause, paragraph, article, section, or part of this Act so declared unconstitutional.

SECTION 20. SHORT TITLE. The short title of this Act shall be "The Industrial Tax Exemption Act of Puerto Rico."

SECTION 21. REPEALER.—In addition to Acts Nos. 346 and 22, of May 12, and December 6, respectively, of 1947, which are expressly repealed in Section 15 of this Act, all other laws or parts of laws in conflict herewith are also hereby repealed.

SECTION 22. EFFECTIVENESS.—This Act, being of an urgent and necessary character shall take effect immediately after its approval.

Approved, May 18, 1948.

New industries operating with tax exemption

Name	Product	Location
1. Haskins Plastic Corp	Plastic products	Gurabo.
2. Nash Bayamón Corp	Portfolios, briefcases, wallets, and related articles of leather or imitation leather.	Bayamón.
3. Borinquen Art. Flowers, Inc	Artificial flowers	Naranjito.
4. Koro Products	Cordé handbags	Bayamón.
5. Shawy Handbags Co	do	Caguas, P. R.
6. Frederick Schultz	Artists' brushes	Arecibo, P. R.
7. Caribe Flower Co	Artificial flowers	Cayey, P. R.
8. Rico Television Co	Radios and television receivers (table models).	Hato Rey.
9. P. R. Hosiery Mills	Hosiery of all kinds	Arecibo.
10. ULTIMAX	Drafting equipment, artists' material, and allied products.	Vega Baja.
11. Caribbean Optical Co	Sunglasses and eyeglasses frames	Isla Verde.
12. Caribbean Hair & Bristle Manufacturing Corp.	Hair and bristle brushes	Hato Rey.
13. Caribbean Zipper Co	Zippers	Fajardo.
14. Caribbean Pearl Corp	Pearl necklaces, earrings, bracelets, and other pearl jewelry.	Ponce.
15. Dick Will Inc	Cordé handbags	Fajardo.
16. Gloria Handbags Mfg. Co	do	Arecibo.
17. Delta Manufacturing Co	Men's outerwear	Hato Rey.
18. Rodriguez Bros	Jewelers	Do.
19. Peerless Products Co	Simulated pearls	Santurce.
20. St. Regis Paper Bag Corp. of Puerto Rico.	Paper bags	Ponce.
21. Jem Manufacturing Co	Brassieres	Santurce.
22. Olympic Corp	Men's undershirts and polo shirts	Do.
23. Puerto Rico Brassieres, Inc	Brassieres	Do.
24. American Cushion Co	Canvas products for outdoor furniture	Río Piedras.
25. Gill Leather Co	Tannery	Caguas.
26. Sun Glass Corp. of Puerto Rico	Metal and plastic frames for sunglasses and spectacle cases.	Santurce.
27. Caribbean Clothing Corp	Men's outerwear	Mayaguez.
28. Puerto Rico Woolen Textile Corp	Woolen yarns	Juncos.
29. U. S. Bearing Co	Sapphire bearings	Bayamón.
30. Red Cape Leather Products Corp	Wallets (natural and imitation leather)	Cabo Rojo.
31. Metal Products, Inc	Tin cans, containers, galvanized pails, bathtubs, saucepans, and enamelware.	Río Piedras.
32. Ponce Candy Industries	Hard candies	Ponce.
33. Río Grande Artificial Flowers	Artificial flowers	Río Grande.
34. Borinquen Foods Corp	Candied fruit preserved coconut, coconut meal, fruit juices, nectar, and marmalade.	Toa Baja.
35. Crane China Co	Vitrified and semivitreous institutional and domestic chinaware.	Vega Baja.
36. San Juan Glove Corp	Machine-made fabric gloves	Hato Rey.
37. Señorita Hosiery Mills	Hosiery	Gurabo.
38. Textron P. R., Inc	Cotton, rayon, and nylon textiles	Ponce.
39. Caribe Hilton Hotel	Hotel	San Juan.
40. Bartfield Mfg. Co	Frozen foods	Bayamón.
41. P. R. Rayon Mills, Inc	Rayon fabrics	Vega Alta.
42. Beacon Textiles, Inc	Blankets	Mameyes.
43. Joyce of Puerto Rico, Inc	Men's shoes	Ponce.
44. American Syntex, Inc	Steroid hormones, chemicals and pharmaceuticals.	Hato Rey.
45. Puerto Rico Woolen Textile Corp	Carpet, rugs, and cloth for garments	Juncos.
46. Rugcrofters of Puerto Rico, Inc	Rugs	Isla Verde.
47. Puerto Rico Mirror Industry, Inc	Glasses and mirrors	Ponce.
48. Puerto Rico Nail Products	Nails	Hato Rey.
49. Villa, Inc	Chenille pieces, bath mats	San Juan.
50. Hato Rey Electroplating Co	Electroplating in cadmium, chromium, etc.	Hato Rey.
51. Millford Needlework, Inc	Women's wear and outerwear	Arecibo.

Forty old local industries have been made eligible for tax exemption by inclusion in the list of 42 designated industries in the tax exemption act and have availed themselves of such tax exemption. There are 15 furniture factories, 2 pharmaceutical manufacturers, 1 hotel, 3 cracker factories, 4 candy factories, 5 diamond polishing plants, 2 rug manufacturers, 1 leather button plant, 2 artificial flower plants, 1 dry yeast plant, 1 ice cream cone factory, 1 dehydrated coconut and candied citron manufacturer, 1 native fiber products manufacturer, and 1 ladies outerwear plant.

PRODUCTS MANUFACTURED IN PUERTO RICO NOT ELIGIBLE FOR TAX EXEMPTION

Acetone	Drinks, soft	Photoengravings
Acid, acetic	Dynamite	Pipe, concrete
Alcohol	Fertilizers	Plantain chips
Alcohol, rubbing	Furnaces	Pyrotechnics
Aluminum pots	Hats, straw	Rum
Anisette	Ice	Salt
Awnings, metal	Ice cream	Saw mill products
Bakery products	Ink	Services
Balusters	Insecticides	Slippers
Barrels	Lime	Straw manufacturers
Bay rum	Marble products	Sugar, raw and refined
Beer	Mirrors	Syrups
Boilers	Molasses	Tire, retreading
Carts	Mosquito nets	Tiles, floor
Coffee, roasted	Mucilage	Trailers
Concrete blocks	Neckties	Vinegar
Corn flour	Needlework products	Washing solutions
Dairy products	Neon signs	Water, mineral
Doughnuts	Nets, hair	Wines

New industries having their application for tax exemption pending

Name	Product	Location
A. IN OPERATION		
1. Rogatol Pharmaceutical Co., Inc.	Pharmaceuticals	Hato Rey.
2. Santurce Industrial Co., Inc.	Metal awnings, shades, and windows	Santurce.
3. Fletcher, Inc.	Chocolate drink	Cataño.
4. De Luxe Dye Works, Inc	Dyeing	Santurce.
5. Milk Products S. A	Food products	Bayamón.
6. Supreme Needlecraft Co.	Crocheted shade pulls	Ponce.
7. ... do.	Stringing necklaces	Do.
8. Puerto Rico Mattress Co.	Mattresses	Rio Piedras.
9. Dorado Handcraft, Inc	Hand crocheted and knitted slippers	Dorado.
10. Gorbea, Perez, Morell S en C.	Men's and boys' outerwear	Santurce.
11. Puerto Rico Agricultural Co	Canned pineapples	Do.
12. Renée of Puerto Rico, Inc.	Women's outerwear	Do.
13. Dick Will, Inc.	Cordé handbags	Fajardo.
14. Nevares Manufacturing Corp	Metal products	Rio Piedras.
15. Puerto Rico Milk Products, Inc.	Reconstituted milk	Santurce.
16. Puerto Rico Food Products Corp., Inc.	Food products	Rio Piedras.
17. Productos Ramitor, Inc	Coffee extract	Do.
18. Rikissima Corp.	Candy and preserved fruits	Hato Rey.
19. Sportwear, Inc.	Men's and women's outerwear	Mayaguez.
20. Raymo Zipper, Inc.	Slide fasteners	San Juan.
21. Puerto Rico Belts	Plastic and leather belts	Do.
22. Frederick Lee, Inc.	Sanitary belts and support garments	Mayaguez.
23. Leather Industries, Inc.	Fine leather and leather articles	Dorado.
24. Arklu Industries, Inc.	Furniture	Santurce.
B. NOT IN OPERATION		
1. San Juan Steel & Wire Works, Inc	Nails, barbed wire, bar joists, etc	Undetermined.
2. Coquette, Inc	Ladies' blouses and kindred outerwear.	Do.
3. Paper Converting Co. of Puerto Rico	Converting raw paper to finished products	Do.
4. Puerto Rico Scientific Breeding Station.	Production of semen for artificial insemination.	Do.
5. Fortaleza Housing, Inc	Prefabricated houses	Do.
6. Blaser Nurseries, Inc	Solar water heating system	Do.
7. Rico Film Corp	Motion-picture production	Santurce.
8. Raoul of Aguadilla	Women's outerwear	Undetermined.
9. Southern Isles, Inc	Men's and women's outerwear	San Juan.
10. Puerto Rico Mining and Processing Corp.	Magnesium	Corozal.
11. La Preferida	Knitted products	Utuado.
12. Consolidated Iron & Metals Co.	Pipes	Bayamón.
13. Edward Roehrs	Plants	Undetermined.
14. Industrial Rizadores, Inc.	Hair accessories	Juncos.
15. Dale Products, Inc.	Plastic products	Hato Rey.
16. Rufus Riddlesberger	Pharmaceuticals	Undetermined.

Old industries operating in Puerto Rico having applications for tax exemption pending

Name	Product	Location
1. Hotel Normandie	Hotel	Santurce.
2. Hotel melilá	do	Ponce.
3. P. R. Blouse Corp	Blouses	Santurce.
4. La Giralda	Hotel	Cayey.
5. P. R. Diamond Works, Inc	Diamond polishing	Santurce.
6. Ebanistería Lopategui, Inc	Furniture	Do.
7. P. Roca & Co., Sucrs	Good pastes	Yauco
8. López Hnos., Sucrs	do	Hato Rey.
9. Sucesores de Alvarez, Inc	Industrial machinery and accessories	Santurce.
10. Industrial Algodonera, Inc	Bedsprings and mattresses	Do.
11. Antonio Rivera Manufacturing Plant.	Metal furniture	Río Piedras
12. Puerto Rico Dairy, Inc	Homogenized milk	Santurce.
13. Emilio Soler López	Furniture	Mayaguez.
14. Imperial Mahogany Furniture	do	Río Piedras.
15. Treasure Island Summer Resort	Hotel	Cidra
16. James L. Tait	Furniture	Hato Rey
17. Hotel Inagueyes	Hotel	Aguas Buenas
18. Calhardo Apartments Hotel	do	Santurce.
19. Fabrica Muebles de Arlstarco Seda Lanes.	Furniture	Mayaguez.
20. Ebanistería Ballester	do	Ponce
21. Ebanistería Savarona, Inc	do	Cagnas.
22. Víctor Elías Vargas	do	Mayaguez.
23. Jose Berrocal Gutiérrez, Sucrs	do	Do.
24. Ochoa Fertilizer Corp	Sulfuric and muriatic acids, sulfate of potash.	Río Piedras.

Dr. FERNÓS-ISERN. So the industrialization program, as we call it, is the promotion of industrialization through, (1) help on the part of the Government in the measure that may be found necessary to make it a going concern.

Senator KERR. You understand, I am quite interested in the development of industry in your island. I was just trying to get into this record an accurate description, both of the opportunities available and, second, of the instances in which those opportunities had been taken advantage of.

Dr. FERNÓS-ISERN. Yes, sir. And I may say that the two fundamental measures that had been adopted by the insular government to bring about industrialization in the island have been (1) tax exemption, and, (2) cooperation on the part of the Government with whatever measure in a financial sense may be agreed upon in order to get these factories operating. Of course, as to the actual list, I do not have them in my mind, and while I could recite a few I would prefer to get for you the actual list of operating concerns. Then, as to those that are new or in the process of being established, that is something that may be changed from day to day; but I can get them as of a certain date.

Senator KERR. As of this date?

Dr. FERNÓS-ISERN. As of this date; whatever is going on there. I will be very glad to do that.

Senator KERR. All right.

Dr. FERNÓS-ISERN. Is that the information you desired, Senator, as to the program on industrialization?

Senator KERR. Yes; unless you have some additional statements to make.

Dr. FERNÓS-ISERN. That about covers it.

Senator KERR. That would describe what you refer to as your industrialization program?

Dr. FERNÓS-ISERN. Yes, sir.

I may say that the subcommittee's report, the report of the subcommittee of the Ways and Means Committee of the House, does cover a very large part of that.

Senator KERR. I hope I may have the opportunity of getting the information from the report, but I also was of the opinion that I might get some of that information from you.

Dr. FERNÓS-ISERN. I will be very glad to furnish it, sir.

As this system develops in Puerto Rico, and as our "operation bootstrap" succeeds, and as our industrialization program accelerates ahead, our need for public assistance will lessen and lessen. But for the moment, this assistance is indispensable in the proportions recommended.

Federal unemployment insurance does not apply to Puerto Rico, nor is it extended under H. R. 6000. We have made our own beginning down there and have established an unemployment insurance system for our sugarcane field workers during the dead season after the harvest. We also have a workmen's compensation insurance system. We believe in social security. But Puerto Rico is a part of the United States political and economic system, and we feel that we should not be expected to establish a separate social-security system of our own making. No State is expected to do that alone. Social security is a national matter. It has to be a national endeavor. As a cog in the United States political and economic system, Puerto Rico should participate in the national system of insurance.

I earnestly request the Finance Committee of the Senate to give its most careful consideration to the enlightened report, so graphically portraying conditions in Puerto Rico, submitted by the Subcommittee on the Extension of Social Security to Puerto Rico and the Virgin Islands.

The entire story is there. It is at one time a sad story as to present realities. But it is also an encouraging story. For Puerto Rico's hardworking people, it is a message of hope.

The CHAIRMAN. Doctor, you inserted in the record the report of the subcommittee of the House Committee on Ways and Means?

Dr. FERNÓS-ISERN. Yes, sir.

The CHAIRMAN. May I ask you, before Congressman Camp appears, whether you approve of their recommendations, or whether you differ from any of them?

Dr. FERNÓS-ISERN. I endorse every recommendation in the subcommittee's report.

The CHAIRMAN. Thank you very much, sir; for your appearance.

Dr. FERNÓS-ISERN. Thank you.

The CHAIRMAN. Congressman Camp, we will be glad to hear from you now, if you are prepared to proceed at this time.

STATEMENT OF HON. A. SIDNEY CAMP, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Representative CAMP. Mr. Chairman and gentlemen, I appreciate very much this opportunity, because I have felt that it was my duty, as well as a privilege, to report to your body the very informative and enlightening study we made of Puerto Rico and the Virgin

Islands. I was very glad to hear the Senator question Dr. Fernós-Isern about the Puerto Rican development program. We were keenly interested in it. We had heard many rumors concerning it before we went down, and we took special pains, sir, to go to see every industry they have built.

I think this paragraph from the report, if you would permit me to read it, would be just as good as anything I could tell you:

> In an effort to meet the basic problem of maintaining economic gains in the face of a rapidly growing population where already there exists a dense population and a land of limited natural resources, the insular government has adopted a progressive program for the industrialization of the island.

Gentlemen, let me state here, parenthetically, that when we took over that island 50 years ago it had a population of about 950,000. Today it has a population in excess of 2,000,000, about 2,250,000.

One of the places they took us, you know, was more graphically descriptive of their situation than anything I have ever seen in my life. There 10,000 families, unable to pay rent because of unemployment, had built themselves stilted hutments over the water, because they could not afford to buy land or pay rent. They built these hutments for an area of 5 miles, by driving piles, rough sticks, in the ground, and perching themselves up over the water. They call that El Panguito, "little mudhole," and we rode around that area in boats, there, sir, for more than 5 miles. The population averages more than five to the family. There are something like 60,000 or more of those people living in that condition.

After going around the rear of El Panguito by boat we went then around to the front and went down their little bridgelike structures that they had built to get their houses. And the thing which impressed us most was the cleanliness of those little huts and the fact that those little children around there were dressed cleanly, although in very worn clothes.

Now, the Governor of Puerto Rico has a very admirable slum-clearance program. One of the things he has done is to open up a street on the high ground at government expense, and run a sewer and water line down there, and he has invited these people to come and put their houses up there on the land, and given them a lot. And he is piping water to them, because the people in those hutments now carry drinking water by hand-pail over a quarter of a mile.

The population of Puerto Rico is 630 to 650 to the square mile. The whole economy of the island is based around sugarcane growing. And there is a large percentage of the land that is out of cultivation because of the Sugar Act, which you cannot use for any other agricultural crop economically.

The Senator was asking some questions about the Sugar Act. Here is what happened. During the war the Sugar Board requested the Puerto Rican farmers to expand to every acre their production of sugar. Then they requested our beet-sugar growers not to grow sugar but to grow war crops, soybeans, and so forth. And they did, during the war years, take the overproduction of sugar in Puerto Rico and supply the deficit here in this country. Now here is what they overlooked. To plant sugarcane down there—and remember, that island is the oldest inhabited part of this country. That government was established down there in 1508. And the land has been cultivated in

sugar ever since the early days of the sixteenth century. The land is depleted. It is poor. Senator, if you will forgive me, it is like Georgia cotton land. It is "wore out." And they have to put fertilizer on it.

Now, they have about the same number of acres in sugar there that they have in Hawaii. Hawaii has 30 sugar farmers, 30 corporations operating. Puerto Rico has 13,840.

The CHAIRMAN. Individual farmers?

Representative CAMP. Yes, sir; individual farmers, land owners.

Now, listen. This was startling to me. It may not be to you. They employ a little more than 11 times the number of men to grow a ton of sugar than they do in Hawaii. The reason is that they have never dared to put any labor-saving device into operation. To gather the cane, they go into the cane fields and they cut it down and strip it in their own way. We saw them there in the field with a machete. That practice is followed so that they can employ those people. And they have done something there that is very surprising. Talk about taxation, Senator. Those farmers voluntarily organized an unemployment tax system for farm employees. Now, you do not have anything like it anywhere in the continental United States.

What is the percentage rate they pay?

Dr. FERNÓS-ISERN. Five percent.

Representative CAMP. They pay 5 percent of their pay roll for the benefit of the laborers who remain unemployed at the end of each grinding season every year.

Now, back to my explanation of that surplus sugar: The Federal Government asked these planters to plant all this land, which they had been leaving out of cultivation because of the Sugar Act. Well, to plant they had to set out the cane roots, you know. And it is not profitable until the third year, because, when they plant that cane, they have got to work the land up. They have got to put in heavy fertilization. And the first crop is not a very large crop; and it takes 15 months for a crop of that cane to mature and be harvested.

The CHAIRMAN. How often do they have to replant?

Representative CAMP. They replant about every 8 or 9 years. So now they have only had two crops off those stocks, which we asked them to plant. And there they were, with this crop of sugar, and they could not sell it because the Sugar Act barred it.

Senator KERR. You mean they could not sell it in the domestic market?

Representative CAMP. That is right. They cannot sell it anywhere else unless we permit them, under the Sugar Act. They can sell it in the world market, of course, but the cost of production is too high for them to compete. They cannot sell it to ECA.

Senator KERR. But there is no restriction on their sale of it anywhere except in the domestic market?

Representative CAMP. That is right, and ECA. Of course, ECA is an important market.

Senator KERR. Well, that is slightly domestic, is it not?

Representative CAMP. I think so. I think they should call it American-European aid.

But since sugarcane raising was established there, Hawaii has only reached its quota twice in 15 years. Beet-sugar growers have only

reached their quota once or twice. And I do not think Louisiana and Florida have reached theirs as many as three times. The quotas were large enough to take care of those areas.

Down in Puerto Rico, they can grow pineapples, but by the time they ship them here, in comparison with the Cuban pineapple, they do not look quite as fresh, and they do not sell as well. They just cannot grow them profitably. Sugarcane is about the only crop those people have.

The CHAIRMAN. Do they have many acres in tobacco?

Representative CAMP. It is not anything comparable to the sugarcane, sir—somewhere around 25,000 acres, I believe, as compared with nearly 300,000 for sugarcane.

The CHAIRMAN. What is the type of tobacco?

Representative CAMP. Some of it is shade-grown wrapper. It is not as valuable a tobacco as the Cuban tobacco, although they seem to try very hard to improve it. Some of it is of very good quality, but as a rule it is not.

The CHAIRMAN. Have they destroyed all the coffee trees?

Representative CAMP. They did not destroy them, but nature destroyed them. Coffee has to grow under the shade of other trees, and they had a couple of these tropical storms down there, hurricanes I guess you would call them, which blew down the shading trees, the big trees that shaded the coffee. And until that shade grows back, their coffee production will be very limited. Now, they produce a very fine quality of coffee, probably the best in the world; but they are not producing any more than the island itself uses at the present time.

The CHAIRMAN. Is the distillation of rum and liquors from the sugar extensive?

Representative CAMP. Senator, it is coextensive with the production of sugar. Now, that is a problem that should be understood. They make rum out of the blackstrap, which, as you know, is the residue from the sugar process.

The CHAIRMAN. Yes.

Representative CAMP. Well, if that blackstrap were in the United States, we might mix it with ground corn or cane.

Senator KERR. Or alfalfa?

Representative CAMP. Or alfalfa; to make cattle feed.

But remember, they do not have anything to mix it with. They can use it for but one purpose, and that is to make rum. We, very thoughtlessly, I thought, put a little proviso in the last Virgin Islands Act in which we prohibited the government from making rum. Well, that means the government has to pour out all of the blackstrap molasses they have from the sugar mill. That is the only thing they can do with it in those islands. I do not know; they might make bay rum or something like that.

Senator KERR. Did that provision stay in that act as it eventually passed?

Mr. DAVIS. If you will permit me to interpolate, Mr. Chairman, on that point: The Virgin Islands Company has a lease with a private individual now, who is using the last year's crop of molasses and operating a distillery for private purposes, and that, at least, may be extended. In other words, the molasses is not actually lost, but it has to be sold for about 4 cents a gallon.

Senator KERR. But for all intents and purposes that provision was taken out of the act?

Mr. DAVIS. No; the provision is still there against the government itself doing it.

Senator KERR. But there is no prohibition against leasing it to others?

Mr. DAVIS. No.

Representative CAMP. All we did was take the profit out of it, and everybody knows the government needs any profit it can make from operations down there.

We found, in reviewing the development program, that too few people in the islands had industrial know-how. There is little knowledge about manufacturing anything except cigars, sugar, and rum. And they had to teach those folks, if they were to have any other industry. So they organized this industrial development company. We went to see the company officials, and we went with them to every plant that they had built.

First, before establishing an industry, they tried to get some company in the United States interested in going down there, if the situation looked like it might be favorable. If this could not be arranged, they went ahead. Well, they put up a cement plan. The cement plant is a profitable thing, because those people do much of their building with cement. They do not use wood, and they do not use brick extensively. And that is going to be a very successful operation.

Then they built the glass plant, and it has been operated profitably. They make bottles for rum, and they make bottles which the Coca-Cola and soft drink people buy. That glass company looked to me like it was on the road to a successful operation.

I was particularly interested in talking to the man who put up the textile mill. Their tax-exemption program does not operate down there as we have known it in the States. For instance, our State passed a tax-exemption law for new industries and gave them 5 years.

The CHAIRMAN. Yes.

Representative CAMP. Well, that applied to any new industry that would come. This does not. Before they get it, they must file an application with the Executive Council of Puerto Rico, and the council must pass on it. And there have been instances where they have refused tax-exemption. They have a very strict interpretation of "new industry," you see, which may qualify for tax exemption.

The CHAIRMAN. In other words, a new unit is not a new industry.

Representative CAMP. That is right. Now, that is not generally known in this country. People think any industry can go in there and get tax-exemption. That is not so. They must qualify under the strict terms of the statute as being an eligible industry. And the policy of the Puerto Rico Development Co. is to dispose of Government plants as soon as private enterprise is willing to take over. They sold a shoe factory, and it is operating now by private capital, and there are now active negotiations for the sale of other plants.

The CHAIRMAN. Do they import all their hides?

Representative CAMP. They have to import all the hides and all the parts that go into the manufacture.

The CHAIRMAN. Are the cattle and livestock on the island very limited?

Representative CAMP. Very limited, Senator. I have talked to farmers about it. They are taking this acreage which they had in sugarcane formerly, but which under the Sugar Act they had to retire from sugarcane. Now, some farmers have set that out in coconut trees, and others have planted it in grass and are growing cattle. And then one farmer told me that he found that the cane, which sprouted out from the roots that were all in the ground, when it was tender made good forage. And he is raising cattle on his old cane field.

I feel that those people have correctly named their operation down there when they called it operation bootstrap. It is just about that. They are making a great endeavor to pull themselves out of the doldrums.

Our report here goes into the minute details as to all these things. We became very much interested, and we feel that this industrial program they have down there is healthy. We feel that if American industry understood the program, they would congratulate the Puerto Ricans.

Now this textile man told me that he was not going to profit much if any by his tax exemption; that he had to start with a raw crew of farm hands who had been growing sugarcane, and they had to be trained and taught every operation. And, he says, "We have not yet reached any profitable stage."

The CHAIRMAN. Do they make finished goods or purely gray goods?

Representative CAMP. Well, he is making yarn. Of course, it has to be woven into cloth by somebody else. There is a proximity there to the South American mainland, and they hope to be able to sell goods down there, perhaps, and have a market for the Spanish-speaking people. You know, it is a Spanish island.

Their income-tax rates are comparable with the Federal income-tax rates.

The CHAIRMAN. They have the advantage of having all of their excises collected on rum, do they?

Representative CAMP. Yes.

The CHAIRMAN. That goes to the insular government, I take it.

Representative CAMP. You know, that island, historically, was the capital island of the New World, set up there by the Spaniards under Ponce de Leon in 1508; and for centuries it was the headquarters of Spanish rule. It is an old government, an old population, and it is purely Spanish in its civilization, you might say.

Now, 11 months before the treaty which gave those islands to us, Spain had granted them an autonomous government, and under royal charter they had set up a similar government to what they have now. And it was upon the recommendation of our first military governor and others following him, that we simply gave them the same rights and grants that Spain had already given them. That is why they have a little different kind of government from any of our other insular possessions. General Seibert told me, upon a visit down there, that he was very greatly impressed with Puerto Rico; that he thought they were the most loyal Americans to be found anywhere. He said, "You need not worry; there is not a Communist in those islands." They are thoroughly loyal, and they want to get somewhere. And they are certainly making an extreme effort.

I wish to file as part of this record, if I may, sir, our report.

The CHAIRMAN. That has already been put in.

Representative CAMP. I have a written statement here, also, which I have departed from a great deal, which I would like to put in.

The CHAIRMAN. Yes, sir. That will be entered in the record.

(The prepared statement of Representative Camp is as follows:)

STATEMENT OF HON. A. SIDNEY CAMP ON EXTENSION OF SOCIAL SECURITY TO PUERTO RICO AND THE VIRGIN ISLANDS

The unanimous report of the Ways and Means Subcommittee on Extension of Social Security to Puerto Rico and the Virgin Islands, of which I am chairman, is briefly as follows:

(*a*) *Old-age and survivors insurance.*—That the same old-age, survivors, and disability insurance provisions should be applicable in Puerto Rico and the Virgin Islands as in continental United States, but that H. R. 6000 as passed by the House be modified in these respects:

(1) That the present wage requirement of $50 for a quarter of coverage be retained in lieu of the $100 per quarter contained in H. R. 6000;

(2) That the wages a domestic servant must earn from a single employer for whom he works at least 20 days in a quarter be raised from $25 (as provided in H. R. 6000) to $50.

(3) That the minimum monthly primary benefit of $25 under H. R. 6000 be reduced to $20.

(*b*) *Public assistance.*—That old-age assistance, aid to dependent children, aid to the blind, and aid for the permanently and totally disabled be extended to Puerto Rico and the Virgin Islands, as provided by H. R. 6000, with the following modifications:

(1) That a mother or other relative with whom a dependent child is living should be eligible for Federal matching in Puerto Rico and the Virgin Islands. (It is my belief that this was an oversight on the part of the Committee on Ways and Means when H. R. 6000 was drafted.)

(2) That the public-assistance matching basis for Puerto Rico and the Virgin Islands contained in H. R. 6000 be amended to provide a larger share of Federal funds. This is necessary if the imposition of Federal standards is not to impair the already pitifully inadequate average benefit per needy individual.

PERMANENT AND TOTAL DISABILITY INSURANCE

Now, if I may digress for just a moment, I should like to speak briefly in support of the provisions in H. R. 6000 for extending the old-age and survivors insurance system to include insurance against permanent and total disability.

I supported this provision in the Committee on Ways and Means and led the debate on the floor of the House. I feel very keenly that this protection is sorely needed and is a matter of simple justice.

I am sure that most of you know personally of similar cases in which a man or woman may have contributed to the retirement fund from the beginning of social security, only to be stricken with some incurable affliction. Several examples were inserted by me in the Congressional Record for October 5, 1949, at page 14184, during the debate on H. R. 6000.

Now it is my firm conviction that such unfortunate people who are involuntarily forced to leave their jobs are, if anything, even more entitled to protection than are people who reach age 65.

Now I am aware that opposition has been raised to permanent and total disability insurance because of the adverse experience of the insurance companies in the 1920's. The Committee on Ways and Means went into this very carefully, however, and concluded that the insurance-company experience is not conclusive, for the following reasons:

(1) First, insurance against permanent total disability is now provided to millions of Federal, State, and local government and railroad employees;

(2) The benefits under H. R. 6000 would be too low to encourage malingering;

(3) The waiting period of 7½ months is very substantial;

(4) The definition of eligible disability is very strict;

(5) Periodic reexamination of permanently and totally disabled beneficiaries would be required.

For those reasons the Committee on Ways and Means concluded that protection should be provided against the hazard of permanent and total disability. And I understand that your Advisory Council on Social Security came to a similar conclusion.

Representative CAMP. There is one feature of this Social Security Act that I am very much in favor of——

The CHAIRMAN. Now the Ways and Means Committee extended the old-age and survivors provision—title III of the act, I believe it is—to Puerto Rico and the Virgin Islands?

Representative CAMP. Yes, sir. We recommended that it be extended. And we recommended, after we made our trip down there, certain changes in the formula.

The CHAIRMAN. I see.

Representative CAMP. Those changes were to take care of this problem: The wage scale down there is lower, and the requirement in H. R. 6000 that they must earn a hundred dollars every quarter, every 3 months, would mean this in Puerto Rico: It would mean that all these workers would be paid, but the majority of them could not qualify, because they do not earn $100 in 3 months.

The CHAIRMAN. That is what I was curious about.

Representative CAMP. Yes, sir. Well, we went into that very fully.

The CHAIRMAN. You covered that in your report?

Representative CAMP. Yes, sir; and we recommended a change there, so that the minimum benefits would be less, but they would be more extensive.

The CHAIRMAN. That would bring more under?

Representative CAMP. It would bring more under; yes.

The CHAIRMAN. You have found that same condition, I suppose, in the Virgin Islands?

Representative CAMP. We have; yes.

The CHAIRMAN. You have found about the same situation there; not, of course, the same sort of industry?

Representative CAMP. Senator, they are just so entirely different, the two areas, and the conditions are so different. But we found that, so far as the Social Security Act was concerned, they would need the identical same provision to do them any good.

Of course, you know the Virgin Islands is not so thickly populated. Although there is little private industry, they have the Virgin Islands Corporation there.

The CHAIRMAN. You think it also necessary that the assistance program be extended? All of it?

Representative CAMP. Yes, sir; I certainly do.

The CHAIRMAN. And that is in your report?

Representative CAMP. That is all in the report.

I would like to say for the Senators' benefit something about the income-tax law. Only 8 percent of the population of Puerto Rico has a net income of $2,000 or more.

The CHAIRMAN. Only 8 percent?

Representative CAMP. Only 8 percent. Now you know from that about how much income tax they would collect. Those people live largely on imported food. The staple diet of that population, exclusive of course of those who are able to live on the American style, is rice, which they bring in from America, and dried fish which they get from our New England fisheries.

Senator KERR. Do they not have their own fishing industry?

Representative CAMP. That island, sir, sticks right straight up out of the deepest part of the Atlantic Ocean, and the ocean is two miles to two and a half miles deep. There is no fishing down there. There is little sand on the beaches. The sand runs back down to the bottom of the ocean. There are only a few places where they have any sandy beaches. Now, they buy everything they have from us. Last year they imported in there, I think, nearly $340,000,000 from the mainland, and they exported to us $184,000,000. You see, the balance there is taken up by Federal installations, wages, and so on, paid there in the Islands, and what comes from the tourist trade, and also what little trade they have with other areas.

If I may digress for a moment, I would like to speak briefly in support of the provisions in H. R. 6000 for extending the old-age and survivors insurance system to include insurance against permanent and total disability. As I said, I supported this provision in the Committee on Ways and Means, and I led the debate on the floor of the House for its inclusion in the bill. I feel right keenly about it.

I have had several examples which are interesting. For instance, I had this happen, if I may give a personal incident. It illustrates my point. I have my office down in Georgia in a building where there is an eye, ear, nose, and throat specialist. He came into my office one day and said "I want to show you a case." He said, "I have a very dear old lady, here, who has been working in the woolen mill. And she went in under social security the day the act went into effect. She has been in 12 years. She is 62 or 63. And I have discovered that she has a very bad malignancy in her throat. She can't work any longer. She can't draw any social-security benefits until she is 65. And she is going to have to die now before she will ever benefit from it.

"And," he says, "she has felt all during these years that she was building up for her security when she became old. Now she has got to be thrown on county charity."

Now you have numbers and numbers of cases like that, where people have paid into the fund all these years. There is no return of the premium they have paid. They cannot get any of it back. And yet they are not old enough to draw any benefits. So they are out. Now I figure that those cases should have our very sympathetic consideration. I am sure many of you know of cases just like it.

I should like to point out that insurance against permanent and total disability is now provided to millions of Federal, State, and local government and railroad employees.

Second, the benefits under H. R. 6000 would be too low to encourage malingering. We would not have any trouble with that.

Third, the waiting period of 7½ months is very substantial. For after they file their applications, they must wait 7½ months and undergo certain examinations so that we can be sure that they are permanently and totally disabled. That is sufficient to insure that there will be no frauds on the Government.

Fourth, the definition of eligible disability is as strict as we know how to draw it.

And, fifth, the law provides for periodic reexaminations, so that we would know that it was permanent disability.

I thank you, sir, very much.

The CHAIRMAN. What other members of the Ways and Means Committee composed your subcommittee?

Representative CAMP. Mr. Walter A. Lynch of New York, Mr. Herman P. Eberharter of Pennsylvania, Mr. Stephen M. Young of Ohio, Mr. Thomas E. Martin of Iowa, and Mr. John W. Byrnes of Wisconsin. All of us worked as a team, and we were extremely interested in everything we tried to investigate there.

The CHAIRMAN. All your recommendations apply equally to Puerto Rico and the Virgin Islands?

Representative CAMP. Yes, sir; we recommend no difference.

The CHAIRMAN. Are there any further questions?

Thank you very much for your appearance, Mr. Camp.

Representative CAMP. Thank you, Mr. Chairman.

Mr. DAVIS. I think Mr. Bornn wants to say just a brief word in addition.

The CHAIRMAN. He has already testified, but he may supplement his statement if he wishes.

STATEMENT OF HON. ROY BORNN, DIRECTOR OF SOCIAL WELFARE, VIRGIN ISLANDS—Resumed

Mr. BORNN. I thank you very much, sir. I flew in from the Virgin Islands Saturday night, and, until these hearings this morning, I did not have an opportunity to see the report of the subcommittee of the House Committee on Ways and Means in regard to extension of the social-security benefits to Puerto Rico and the Virgin Islands. I have read now their special recommendations and I should like to express sincere appreciation to the Ways and Means Subcommittee for their fine understanding of, and sympathy with, the problems of our islands, as reflected in their report. I do want to say that their recommendations represent a tremendous improvement over the original provisions of H. R. 6000. And I should like to endorse them as representing a very great improvement in the benefits and programs which would be extended to the Virgin Islands.

The CHAIRMAN. You approve them?

Mr. BORNN. I do.

The CHAIRMAN. As representing the islands, you approve them?

Mr. BORNN. I do, sir.

The CHAIRMAN. Thank you very much.

Mr. Davis, is there anything further you wish to add?

STATEMENT OF JAMES P. DAVIS, DIRECTOR OF DIVISION OF TERRITORIES, DEPARTMENT OF THE INTERIOR—Resumed

Mr. DAVIS. Thank you very much, Mr. Chairman.

Unless the committee have other questions they wish to ask, I don't believe so at this point.

I should like to make one very brief remark on the industrialization program. We have watched the development of that program for the last 7 or 8 years, and we feel that it does offer one of the very few hopeful avenues of providing employment for the very large labor force that is available in Puerto Rico. It has already been converted from a Government-financed program into an almost completely privately financed program, resting entirely on the advantages that the

island is able to offer to businessmen seeking a place to locate a new plant.

Governor Muñoz has repeatedly made it perfectly plain that Puerto Rico does not want any industry to migrate to Puerto Rico. What they are seeking is a small share of the new capital that is flowing into industry here all the time. In cases where expansion is needed or where a manufacturer wishes to invade a new geographical area, I think Puerto Rico has advantages which can be offered.

I would like to add further that tax exemption is only one of a number of advantages which they feel Puerto Rico has. A new book has just been prepared by the Puerto Rico Industrial Development Corp. to give American businessmen the facts on which they base their case. And I shall be happy to see that any members of the committee who are interested get a copy of that. It does make a very full and complete statement. I will leave this one with you and see that other copies are made available. I think you will find there the answers to most of the questions that were asked by the committee. If there are others, we shall be very happy in cooperation with Commissioner Fernós-Isern and the Virgin Islands authorities to supply them.

Senator KERR. What is the average elevation of the island?

Mr. DAVIS. Puerto Rico? From sea level to about 4,800 feet at the extreme peak. Most of the cane is grown in elevations up to 2,000 feet. It has even crept up into the valleys over 2,000 feet in some cases. The tobacco land is in the higher valleys, around 1,800 or 2,000 or 2,400 feet. The coffee land is almost entirely in the hills, on the hillside slopes, above 2,000 feet for the most part.

Senator BYRD. How are you getting along with your pineapple production?

Mr. DAVIS. Pineapple production in Puerto Rico was neglected during the war years to a very large extent. It is making a very substantial come-back. That is so especially as to the pineapples being developed on the island of Vieques by the Agricultural Development Corp., and some of the other private growers over the island. The pineapple canning industry is growing quite rapidly at this point, and it is now supplying very good qualities of pineapple products to the mainland market.

Senator BYRD. Is that a good product as the Hawaiian pineapple?

Mr. DAVIS. It is a different product from the Hawaiian pineapple for the most part. It is the so-called Red Spanish variety to a considerable extent. They do not have as yet any big quantities of the Smooth Cayenne type that is grown in Hawaii, but they have developed about two or three hundred acres of that type on the island of Vieques.

Senator BYRD. Last year a number of Senators who visited there were very much impressed as to the prospects there along that line.

Senator KERR. I would like for you to tell me, if you can, about the proximity of fishing grounds. I have had the impression, from somewhere, that there was fishing in that country.

Mr. DAVIS. Are you speaking now from the private standpoint, or the commercial standpoint?

Senator KERR. Well, of course, I would not want to exclude that. However, my question was primarily beamed at the possibilities of commercial fishing.

Mr. DAVIS. I was informed the other day at San Juan that someone had caught a 115-pound sailfish off Mayaguez. Off the west coast, there is sport fishing; tuna, barracuda, and other types of sport fishing. So far, the efforts to develop commercial fisheries in that area have not been very promising. I have read in a report of the Bureau of Fisheries made some years ago that the reason for that is that the condition of the water currents in that area is such that the schools of fish don't find sufficient food in the water to attract them, plus the fact that, as Mr. Camp said, all of the water surrounding Puerto Rico is of very great depth. A few miles off the island of Puerto Rico is the deepest part of the Atlantic Ocean. So the conditions are not favorable for the presence of large quantities of food fish. There are no banks where they can gather in feeding grounds as they do off Newfoundland, for example.

From the point of view of Puerto Rican food production, almost half of the total food consumption is produced in the islands, including bananas and other fresh fruits which are staples of diet; although it is true, as Congressman Camp says, that the diet depends on importations of rice, codfish, beans, corn products, flour, pork, and other products from the mainland. A little less than half of the total food consumption is imported.

Senator BYRD. I was very much impressed also by the fact that they did not have enough gardens and vegetables. Why is that? The climate is very favorable; is it not?

Mr. DAVIS. The climate is extremely favorable, Senator.

Senator BYRD. They have plenty of labor and land. Why should they bring in the vegetables?

Mr. DAVIS. The vegetables are not brought in, the green vegetables, except for fancy grocery sales. The legume and other protein products are brought in. That is where the great diet deficiency is in the islands—grains and meat products.

Senator BYRD. Why can they not grow beans?

Mr. DAVIS. Soybeans have been successfully grown in some of the areas of the islands.

Senator BYRD. Why is it that they are apparently not making the effort they should be making to produce their food?

Mr. DAVIS. I can point out one reason, Senator. An acre in cane will produce as much in return to the grower as 6 or 7 acres of any vegetable product. So with so very little land available, only one-third of an acre per person in Puerto Rico, or between one-third and one-half, it is obvious that the most profitable use of the land is the use that will be made, wherever it can be done. However, the Puerto Rico Department of Agriculture and the Federal Government are both carrying on extensive programs there of agricultural training and agricultural extension, in the effort to develop a wider use of vegetable patches, the growing of vegetables for home consumption.

You must remember also that more than half the total population are in cities and towns, where there would be no land available for individual gardens.

Senator KERR. The acreage you referred to as being available to the individual, a half to a third of an acre, is cultivatable land?

Mr. DAVIS. Yes; that is arable land per capita of population.

The CHAIRMAN. Thank you, Mr. Davis.

Mr. DAVIS. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Zucker? Will you please identify yourself for the record, sir?

STATEMENT OF M. W. ZUCKER, DIRECTOR, GOVERNMENTAL AFFAIRS DEPARTMENT, COMMERCE AND INDUSTRY ASSOCIATION OF NEW YORK, INC.

Mr. ZUCKER. My name is M. W. Zucker. I am director of governmental affairs for the Commerce and Industry Association of New York, whose address is 233 Broadway in New York City. It is the largest chamber of commerce type service organization in the metropolitan area. The recommendations which are presented here are the recommendations of the association, adopted after a good deal of study by a committee on social security which is composed of some 20 executives who have specialized in social security legislation, and Federal, State, and local social-insurance programs.

I have a rather brief statement that I would like to read into the record, if I may.

The CHAIRMAN. You may proceed.

Mr. ZUCKER. The association favors a broad extension of coverage, in the belief that this represents the soundest kind of liberalization of the present 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. To permit exemptions will have progressively harmful effects on the benefits of those persons who move from covered employment to employment left uncovered by the act. Since the benefit formula gives heavy weighting to the first portion of wages, this movement in and out of covered employment results in a disproportionate relationship between benefits and contributions.

We do not support the idea of a dual system of collecting taxes and reporting the wages of employees covered by the system and, for that reason, we would object to the use of the so called stamp book plan for any group. We believe that all employees covered by the program should be reported through the system currently in use.

The proposal to include service outside the United States by a citizen of the United States working for an American employer should be examined with great care. There are many problems involved in this proposed extension of coverage. Nearly all of the countries in which American citizens are working for American employers have comprehensive social-security systems which do not exclude such individuals from the taxes imposed. In some cases these employees are entitled to the benefits of the foreign social-security system.

We believe that consideration might be given to the feasibility of arrangements with foreign countries under which American citizens covered by the Social Security Act could be excluded from coverage, both for taxes and benefits, under the foreign system. Similar reciprocity then could be extended to citizens of any foreign country working in the United States where the country had accepted this type of arrangement. However, consideration should be given to including those periods of an individual's foreign employment for an American employer which are incidental to the principal duties of his American-based operations.

This association opposes at this time the extension of coverage to employees in Puerto Rico and the Virgin Islands. The wages in these islands are so low that the tax collected would be insignificant in relation to the minimum benefits received. Furthermore, the minimum benefits as proposed in this bill would, in many instances, approximate the wages of these persons while working. It is interesting to note that the unemployment-insurance benefits provided for island workers are $5 per week for industrial personnel and $3 per week for agricultural workers. These unemployment insurance benefits voted by the Puerto Rican Legislature indicate the level of wage payments.

The method proposed for covering domestics may involve very serious administrative difficulties both for the Federal Government and the occasional employer of domestics. Because domestics often are in irregular employment, the employer could not determine until the end of the calendar quarter whether the domestic had performed service on the required 26 days. However, tax deductions are on a current basis and if not so made currently cannot be deducted. Thus, if it cannot be determined until the end of the quarter whether a domestic has performed sufficient service for coverage under the act, no deduction can be made. Certainly, the administrative formula proposed under the bill does not appear to be sound or workable and this formula should be revised if coverage is to be extended to this group.

Senator KERR. Do you have a recommendation as to the wording that could be used?

Mr. ZUCKER. No; we do not, sir, but we feel that the Social Security Administration should be requested to come back with a formula which does seem to be more feasible.

Senator KERR. If you have such a formula, would you give the committee the benefit of it?

Mr. ZUCKER. I will be glad to bring that to the attention of the committee.

Railroad and civil service systems should be integrated: Since in many instances persons enter and leave employment in the railroad industry and Government service, we recommend that study should be given to integration of the railroad retirement benefits and civil service pensions with old age and survivors insurance. Employees in these groups 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 supplementary benefits provided under staff pension plans.

We are opposed to the new definition of employee. In our judgment paragraph 1 in the bill and the first sentence of paragraph 2 adequately distinguish employees from independent contractors. We object to the provisions of paragraph 3 naming seven specific occupational groups as employees without regard to the actual legal relationship between such employees and their principals. Such an approach creates a precedent which has virtually no limits on its extension to other groups.

Paragraph 4 of the definition of employee gives to the Treasury Department virtually unlimited discretion to extend the definition of employee to determine where the impact of the social security taxes will fall. It will result in including as employees many individuals with respect to whom it will be impossible, or at least impractical, for

employers to withhold social security taxes. This is only the immediate danger. Potential difficulties which may arise involve the extension of this definition for other purposes, such as unemployment compensation and Federal income tax withholding.

The House Ways and Means Committee report refers to broadening the definition of employees as an extention of coverage. This is not the case. Its principal effect is to give the Treasury Department a blank check to cover persons as employees who have always been regarded as self-employed individuals or independent contractors. If the definition were left unchanged, all of these individuals who were not determined to be employees would be covered under the bill as self-employed persons. The proposed definition is regarded by many as one of the most serious defects and most objectionable features of the bill. In the judgment of my persons the retention of the common law doctrine in determining employee status will provide the soundest rule for distinguishing employees from independent contractors.

The substantially increased weighting of the benefit formula in favor of workers with lower average monthly wages conforms to the proper objectives of a social security system in our economy. The basic formula proposed in the bill is sound and will produce desirable increases in the average benefits paid to retired persons and to the dependent survivors of insured persons. However, the formula contains several unsound elements which can be eliminated without impairing these desirable objectives.

H. R. 6000 provides for a $600 increase in the present $3,000 limitation on annual wages subject to contribution and used in the computation of benefits. The increase is not justified, since appropriate increases in benefits can be made without any increase in the tax and wage base. Workers earning $3,600 or more would have their benefits increased by approximately $5 per month over the amount they would receive under the proposed benefit formula if applied to the $3,000 base. The need for this slight extra protection has not been demonstrated. It would add to the subsidized benefits older workers will receive, particularly those retiring in the next 5 or 10 years, and it would add 20 percent more to the taxes paid by and on behalf of younger workers over their lifetime.

This type of change violates the basic concept of the old-age and survivors insurance program. It permits much larger increases in benefits, both in amount and in percentage, for workers with average wages of $3,600 a year and over than to those with average wages below $3,000. Certainly, it is the latter group with whom this program primarily should be concerned, if we are not abandoning the concept that the program is designed to furnish a basic minimum layer of protection. Modifications of the present benefit formula, together with broad extension of coverage, will produce substantially more adequate benefits without abandoning the $3,000 tax base.

In addition, the proposed increase will considerably complicate existing voluntary pension and welfare plans which have been integrated with the present $3,000 wage base. An increase in the tax base for OASI might result in a similar increase in the maximum wage base in all State unemployment-compensation laws. If the OASI base is increased and the Federal Unemployment Tax Act is not, employers will have to contend with the difficult accounting task of making wage

reports on two different bases. Obviously, there is no justification for either alternative.

We have heretofore supported and reaffirm our support for a revision of the benefit formula which will provide an increase in benefits of substantially 50 percent of the benefits provided under the existing law. One sound formula for providing this result is to be found in the bill pending before you provided that the benefit wage base remains at $3,000 per year. This means a benefit formula which provides 50 percent of the first $100 of average monthly wage and 10 percent of the next $150 of average monthly wage. This amount would then be increased by an increment of one-half of 1 percent for each year of coverage. This formula, on its effective date, would provide a maximum primary benefit of $69.55 for an individual with 14 years of coverage. It is recognized that there is strong opposition to the retention of the "increment factor." If, in the judgment of the committee, the increment favor is to be dropped from the formula, any adjustment in the percentages of average monthly wage which is agreed upon by the committee should in our opinion produce a maximum primary monthly benefit substantially the same as set forth above, to wit, $69.55.

The proposed combination of a "continuation factor" and the new method of determining average monthly wage will not produce in the long run as satisfactory results as can be achieved with the existing definition of average monthly wage. With this in mind, as an amendment to the existing average monthly wage definition, we recommend an alternative calculation for all individuals based on earnings after the effective date of the bill, with a minimum of 60 months being used in the divisor for this alternative calculation—the same basic approach to a "new start" as contained in H. R. 6000.

The bill should be amended to retain the "twice the primary insurance benefit" as an alternative limitation on maximum family benefits as in the existing law. Furthermore, we recommend an increase in the dollar maximum for family benefits from $85 at the present time to a maximum of $125. This increase in the family benefit is thus in direct proportion to the primary benefit proposed in the bill while, on the other hand, the maximum family benefit of $150 as proposed in H. R. 6000 is disproportionate to the primary benefit as proposed in this bill.

The proposed increase from $50 to $100 of earnings required for a "quarter of coverage" which is contained in H. R. 6000 is sound. This increase in the wages required for a quarter of coverage represents a more adequate test of attachment to the labor market. We supported such an increase in our appearance before the House Ways and Means Committee.

Reports of the hearings before this committee indicate that there has been discussion of a possibility of a revision of the old-age and survivors insurance program in such a fashion as to provide a minimum insurance benefit to all or a substantial portion of present and future recipients of old age assistance, coupled with the elimination of Federal grants in aid to the States for the financing of old age assistance. In principle, such a program appears to have many meritorious features, but, as the committee on social security of the association has not had an opportunity to review any specific suggestion for the accomplishment of this objective, the association is unable

to advocate or oppose such a revision. In principle, such a proposal appears to have substantial merit and it is urged that the committee study carefully the possibility of developing such a program.

Our association strongly urges that this committee give consideration to reporting for the old-age and survivors insurance program on an annual basis. There is no justification for continuing the quarterly reports.

These quarterly reports complicate the pay roll and accounting procedures of every business firm. They add greatly to the operating expenses of a business and they are a complete economic waste.

On the Federal side, millions of dollars could be saved annually by eliminating the need for processing these records. The W-2 form for income-tax purposes and the SS-1 form should be combined in a single annual report.

It is well to point out that the reporting of wages for the self-employed, if coverage is extended to them, would be on an annual basis. In the same manner as with the self-employed, the reporting for all employees on an annual basis should provide for a quarter's credit for each $200 of earnings.

We believe that the existing classes of beneficiaries and the existing requirements in respect to conditions for eligibility should be retained with the following changes:

We favor the addition of "former wives, divorced" to the classes of eligible beneficiaries under the conditions specified in the proposed legislation with the proviso that they receive one-half their support and have the children in their care. We are opposed to qualifying children for a child's insurance benefit on the death of the mother, except under the conditions provided under the existing law, and we do not favor increasing the rate of benefit for the first child to 75 percent of the primary insurance benefit. We are opposed to increasing the parent's benefit from 50 percent to 75 percent.

We oppose the provision for lump-sum death-benefit payments as provided in the proposed legislation in all cases following the death of an insured individual. Such a proposal places the Government in the life-insurance business, or, at any rate, in the burial-insurance business.

We are also opposed to the provisions that persons at age 75 automatically receive their old-age and survivors insurance benefits without any earnings limitation.

We strongly favor a system of financing completely supported by pay-roll taxes and we therefore support the proposed tax schedule of H. R. 6000, together with its deletion of the existing law's provision for the ultimate use of the Government's general revenues. We believe the combined rate of 4 percent should become effective on the date when the increased benefits are put into force. We favor periodic evaluation of the tax schedule and the financial requirements of the program by succeeding Congresses.

As a basic part of this concept of a self-supporting system, it is clear that the tax rate on the self-employed must be equivalent to the aggregate of the employee and employer share. No adequate justification has been presented for the proposal that the self-employer could pay only 1½ the employee contribution rate.

Benefits to persons permanently disabled should be granted to such disabled person on the basis of need and not as a matter of right.

The Federal Government has no moral nor legal responsibility to play a role in a situation which calls for the dispensing of relief to the citizens of a State.

Both the States and the cities take care of those persons who are now without means to care for themselves. There should be no interference, either direct or indirect, by the Federal Government between the local authority and the recipient of these benefits. In New York we have a State vocational rehabilitation program which provides for rehabilitation of the disabled so that they can return to the labor market. Each year employers are employing in increasing numbers the physically handicapped.

Furthermore, the insurance companies have had a rather unfortunate experience in dealing with permanent disability cases on a selected risk basis. Their experience should be considered fully before embarking on such a program of widespread application.

Incidentally, I would like to point out that in Denmark, where a rather comprehensive permanent disability benefits program has been in operation for a number of years, and where the program is on a basis of need and not of right, the program has been most costly from the point of view of administrative personnel required and of cost of the operation of the program.

Determination of eligibility for temporary disability benefits or old age benefits is possible on a fairly objective test. What constitutes permanent disability is another matter and involves subjective considerations both of the claimant and the disposer of benefits. Because of the subjective character of the claim and the needs arising out of these claims this is a program which is best handled as a part of the public assistance work now managed by the local and State governments.

The association does not believe that the Federal Government should be the direct disposer of benefits, nor should it provide benefits in this type of program on a matching basis or by means of grants-in-aid.

Conspicuous among Federal expenditures of recent years have been the increased number of programs involving grants-in-aid to States and programs involving direct subsidy payments of individuals. Programs long established have increased in magnitude, so-called emergency programs continue, new programs have been adopted, more new programs are being proposed. Federal sharing of deficit dollars with States and with local governments during the depression emergency and the war emergency created this illusion that the Federal Government has money resources which the States do not have; whereas the truth is that, to obtain cash, the Federal Government can only tax the wealth and income of the residents of the 48 States.

The Commerce and Industry Association strongly opposes the increase in the Federal share of public-assistance costs.

Public assistance is a purely local problem and is one which should not be the concern of the Federal Government.

Past experience has shown that when moneys are sifted down from one governmental level to another the administrative costs are much higher than when the entire project is undertaken by the governmental agency whose responsibility the program is. This higher cost results because at each governmental level a certain amount of money

must stick to that level for administrative costs of "supervision, control, and maintenance of standards."

By the Federal Government and, indeed, even the States entering into this field, a new philosophy has grown up, not only among the social workers, but among assistance recipients that "relief is a way of life."

Communities have grown relief slap-happy. With little cost to themselves they are able to spend fantastic sums of State and Federal moneys. Next fiscal year the cost in New York City for all types of assistance will be $205,000,000, the third largest item in the city's budget—exceeded only by debt service and education.

If the States and cities were to have not only responsibility for the operation of the program, but the responsibility for financial control, meaning the raising as well as the spending of money, there would be a greater awareness by the local administrators for these problems.

The Federal Government by injecting itself into these matters destroys not only local responsibility, but wipes out local differences which only the communities can recognize and evaluate.

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

Are there any questions?

We were glad to have you appear, sir.

Mr. ZUCKER. Thank you, Senator.

The CHAIRMAN. Mrs. May Andres Healy, chairman of the Joint Committee of Teachers Organizations, is the next witness.

You are Mrs. Healy?

STATEMENT OF MRS. MAY ANDRES HEALY, CHAIRMAN, JOINT COMMITTEE OF TEACHERS ORGANIZATIONS, NEW YORK, N. Y.

Mrs. HEALY. Yes, sir.

The CHAIRMAN. Is that an organization of the teachers within the city?

Mrs. HEALY. Within New York City; yes.

The CHAIRMAN. We will be very glad to have you proceed, Mrs. Healy.

Mrs. HEALY. I am May Andres Healy, chairman of the Joint Committee of Teachers Organizations, representing over 43,000 teachers, supervisors, and other education employees of the board of education and the board of higher education in New York City. The Joint Committee of Teachers Organizations is comprised of 68 affiliated organizations—an organization of organizations.

Each and every one of our affiliated organizations has asked me to appear here to request that all employees of the board of education and the board of higher education in New York City who are covered by existing retirement systems be excluded from the provisions of the Federal Social Security Act. More specifically, the 43,000 employees of both boards of education wish to be excluded from H. R. 6000, now before the Senate.

We are for the amendment which is set forth in the prepared statement. I will not read that, because you have a copy of it.

The CHAIRMAN. Yes; that amendment has been offered and referred to this committee.

Mrs. HEALY. Yes; it has been offered, and Mr. Lehman sent us a copy of it.

(The amendment referred to follows:)

(Intended to be proposed by Mr. Lehman to the bill (H. R. 6000) to extend and improve the Federal old-age and survivors insurance system, to amend the public-assistance and child-welfare provisions of the Social Security Act, and for other purposes, viz:)

On page 82, beginning with line 10, strike out all down to and including line 17 on page 83 and insert in lieu thereof the following:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

On page 83, line 19, strike out "(e)" and insert "(d)".
On page 84, line 8, strike out "(f)" and insert "(e)".
On page 84, line 18, strike out "(g)" and insert "(f)".
On page 85, line 25, strike out "(h)" and insert "(g)".
On page 86, line 20, strike out "(i)" and insert "(h)".
On page 87, line 2, strike out "(j)" and insert "(i)".
On page 87, line 15, strike out "(k)" and insert "(j)".
On page 87, line 24, strike out "(l)" and insert "(k)".

Mrs. HEALY. We respectfully ask that your committee recommend the adoption of the foregoing amendment by the Senate of the United States Congress.

The teachers, supervisors, and other education employees of the board of education and the board of higher education in New York City join with the policemen, firemen, and other city and State employees in New York State in requesting exclusion from the Federal Social Security Act because we believe that such inclusion would injure not benefit these employees.

The proposed higher benefits under H. R. 6000 would not exceed those now paid by our existing pension systems.

As the purpose of the Social Security Act is to provide for future security of employees in the Nation, a purpose we endorse, we believe that our existing pension systems grant that security locally to public employees, and that such pension systems are better adapted to the needs of our employees, than are the benefits of the Social Security Act.

Several years ago, when Senator Wagner introduced the forerunner of the present social-security bill, we contacted him about excluding such public employees covered by existing pension systems. Senator Wagner and his committee readily agreed to exclude such public employees and accepted an amendment agreed upon by all the groups concerned.

We are in perfect accord with the Congress in its wish to extend social-security coverage to those who have no pension system or other security for old age. We found, at the time Mr. Wagner introduced his bill, that there were some teachers in the Nation who had no pension system. We agreed after conferences with such groups that they should be covered by social security and amended our original amendment to exclude only those who were in existing pension systems allowing teachers in other parts of the Nation and substitute teachers not in pension systems to be included under the provisions of social security.

Many well-disposed advisers thought we should accept both social security and our own retirement systems, but we do not believe the taxpayers should be asked to support both. It is neither economical nor fair to expect support for both. At that time it was pointed out that private corporation retirement systems did not oppose paying for both. We, however, believe that our employer, the city of New

York, should be asked to contribute only to our existing pension systems, which we believe meet the needs of our employees far better in the matter of death, disability, old age, and survivorship than does the proposed plan in H. R. 6000.

The public pension systems for the various groups of employees of the city of New York are among the most modern and liberal in the country. Our city authorities have shown a disposition to look with favor upon increasing the benefits of these pension systems, and it is evident that the national trend is toward such an end. It is therefore understandable that we choose to keep our own pension systems and not come under the conditions of H. R. 6000.

We know you gentlemen have no intention or desire to lessen benefits received by any employee. To include us under social security would set up a second pension system paying lesser benefits, which inevitably would replace our individual pension systems and thus reduce benefits for us. Such inclusion, therefore, can only be considered by us as an unwarranted penalty.

I, therefore, respectfully request that you accept the amendment we offer, which amendment has been agreed upon by all of the public employee groups in New York.

The CHAIRMAN. Thank you very much for your appearance.

Mrs. HEALY. Thank you, Mr. Chairman.

The CHAIRMAN. Dr. William C. Greenough. Will you identify yourself for the record, please, Doctor? You may be seated, if you wish.

STATEMENT OF DR. WILLIAM C. GREENOUGH, VICE PRESIDENT, TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, NEW YORK, N. Y.

Dr. GREENOUGH. Thank you, sir.

Mr. Chairman and members of the Senate Committee on Finance, my name is William C. Greenough, and I am a vice president of Teachers Insurance and Annuity Association of America, 522 Fifth Avenue, New York, N. Y. To identify TIAA, it is the nonprofit life-insurance company that funds the retirement plans for private educational institutions such as Harvard, Yale, Columbia, and Chicago, State universities such as Indiana, Iowa, Michigan, and Washington, and in all, 575 colleges, universities, private schools, and research organizations.

In view of your program today, I think I should insert parenthetically that TIAA does not cover teachers of public secondary and elementary schools. They have their own plans, and we have never admitted them to eligibility because they do have their own plans.

TIAA and its predecessor, the Carnegie Foundation for the Advancement of Teaching, have had perhaps the most extensive experience in the field of pensions of any occupational group, and I believe that some of this experience has a real bearing on current issues.

Colleges employ only a small part of the total working population. However, the successes and failures of the pioneering ventures in college retirement systems offer general guideposts for analyzing the much vaster objectives of H. R. 6000.

The Carnegie Foundation for the Advancement of Teaching was established by Andrew Carnegie and chartered by the United States

Congress 45 years ago to provide free pensions for college teachers. This system introduced one of the most important advances in pension theory up to that time in that it permitted free interchange of teachers among all the colleges it covered without loss of pension expectations. The foundation over the years has distributed more than $50,000,000 to disabled and retired professors and their widows.

However, there were three major weaknesses in Carnegie's pioneering venture that prevented its success. First, his grant, although generous, could provide retirement income for teachers only in those institutions meeting specified requirements. Transferability of pension rights was far broader than in any system devised up to that time in America, but it was not broad enough. It set up a barrier between institutions whose staff members were covered and those whose staff members were not, much like the barrier resulting from the fact that the national OASI program covers only some three out of five workers in America today. A second major weakness of the Carnegie plan was that the pension was without charge to the college or the professor. Henry Pritchett stated in 1930 after 25 years of experience as the first president of the Carnegie Foundation:

> Any pension system in which the beneficiary is provided with an old-age annuity without cost or participation by himself is, in the long run, demoralizing to any group of men however high-minded.

The third weakness of the original Carnegie plan was that generosity held precedence over accurate forecasting. The total size of the future pensions to be paid out of the fund was neither well defined nor accurately foreseen. Even Andrew Carnegie was to become appalled at the cost of free pensions. His foundation was to find its funds wholly inadequate for the task undertaken.

Recognizing these weaknesses, the Carnegie Foundation sought a broader concept for future teacher pensions and in 1918 established Teachers Insurance and Annuity Association, the nonprofit association with which I am connected. The new plan was to vest all benefits in the employee, including those purchased by employer contributions, so that his TIAA pension rights would follow him through changes of jobs and so that there would be no restriction on employment mobility even at higher ages. The plan was to be contributory so that employer and employee would share a joint responsibility for the employee's retirement income and so that there would not be excessive or impossible demands from either side. Full actuarial reserves were to be built up from the college's and the teacher's contributions before retirement. This would assure that adequate funds would be available to meet obligations as they matured, and that the scope of the obligation undertaken would be better appreciated. While in my opinion it is not advisable to build up full actuarial reserves for a national program, careful controls do need to be used to keep the ultimate costs of social security within appropriate limits.

As mentioned above, 575 educational institutions, including 366 colleges and universities, now cooperate with their staff members in the TIAA program. Persons in educational work may transfer among all of these cooperating colleges, universities, private schools, foundations, and research institutions without any loss of retirement benefits.

The experience of TIAA shows that private plans can be arranged in such manner as to assure the individual his pension rights regard-

less of the financial health of a particular employer or industry. Likewise, private plans can be designed to permit full mobility of all workers without discrimination because of age.

My general recommendations regarding OASI are as follows:

Level of benefits: OASI benefits should be increased at this time. In raising the benefits we should not depart from the basic philosophy of OASI as a floor of protection for all. The costs for benefits to be paid during the next 10 or 15 years are disarmingly low but will rise rapidly thereafter. They might easily become a serious burden to future generations unless kept within proper limits. The Federal Government should not be called on to provide all retirement income. With OASI as the foundation, providing the subsistence level benefits, individuals and employer-employee groups can continue their present and arrange new supplementary plans. These plans can be adjusted to the differing needs, desires, and economic patterns of various occupational groups far better than can one national program. Neither OASI nor private plans should try to do the whole job.

Eligibility for benefits: Older persons brought under an extended OASI program for the first time should be made eligible for benefits quickly. H. R. 6000 recognizes this problem through the addition of the new minimum provision of 20 quarters of coverage for eligibility. I believe this period should be made even shorter so that OASI will quickly become a more universal system. I also agree with the provision for computing average wage from 1936 or the effective date of new legislation, whichever is more favorable to the individual.

Coverage: I believe that the existing barrier set up between employment covered by OASI and that not so covered should be removed. OASI should protect practically all gainfully employed people. With respect to higher education, coverage should be extended to employees without distinction as to whether they are on the teaching or the nonacademic staff, whether they are employees of large colleges or small, publicly supported colleges or private. At present, the carpenter who works for an industrial firm on one side of the street is covered by OASI and his next-door neighbor, a carpenter, who works for the college on the other side of the street, is not.

Staff members of colleges and universities are presently excluded from coverage under two specific provisions. One relates to employment in nonprofit organizations and excludes employees of private educational institutions. The other relates to employment by a State or instrumentality thereof and excludes employees of publicly supported educational institutions.

Free mobility of academic talent is particularly important in the field of higher education. I am fully aware of the problems you face in choosing methods of extending benefits to employees of nonprofit organizations and to public employees. Nonetheless, I think it important to stress that H. R. 6000 will set up barriers to transferability of educational workers, particularly between private and public colleges. Some workers will be fully covered, others partially covered, and others not covered at all by the national plan.

Through TIAA, through publicly administered retirement plans, through plans for religious workers, and through other arrangements, colleges have provided extensive retirement security for their staff members. There are gaps in private arrangements, just as there are in the present OASI. A broad extension of OASI coverage can fill

in the gaps, particularly in the case of nonacademic staff members, many of whom are not covered by the regular retirement system of the educational institutions. It can also provide a basic floor of protection for those employees who are covered by existing retirement systems.

The CHAIRMAN. I wanted to ask you one question. It had to do with that part of your statement in which you referred to the level of benefits now provided for old-age and survivors insurance. You cautioned that we should not depart from the basic philosophy of OASI as a floor of protection. Does your recommendation differ from H. R. 6000? If so, in what respect? What do you contemplate there, in that statement?

Dr. GREENOUGH. In that particular part, I thought that my only function might be to emphasize past history in certain pension plans that gave us a lot of experience. I would not want to put a precise point at which the Government's responsibility ceases and the colleges themselves and their employees take over. I have not done the study necessary to set a precise point. Obviously, the present benefits are much too low. In other words, I am neither disagreeing nor sponsoring.

The CHAIRMAN. Your suggestion there is that if we do depart from the basic philosophy of old-age and survivors insurance we should do so very cautiously; but you do not make any specific suggestion as to how far the provisions in H. R. 6000 depart from that philosophy or do not meet it. That is the way I understand your statement.

Dr. GREENOUGH. That is right. I don't think I have anything to offer on that particular point.

The CHAIRMAN. Thank you very much for your appearance, Doctor.

Dr. GREENOUGH. Thank you, sir.

The CHAIRMAN. Dr. Herman Gray?

STATEMENT OF DR. HERMAN A. GRAY, CHAIRMAN, COMMITTEE ON EXTENSION OF SOCIAL-SECURITY BENEFITS, AMERICAN COUNCIL ON EDUCATION

Dr. GRAY. My name is Herman A. Gray, and I appear here this morning as chairman of a committee on the extension of social-security benefits set up by the American Council on Education.

The American Council on Education is composed of national educational associations, organizations having related interests, State departments of education, city and private school systems, and individual universities and colleges.

I have annexed to my statement, sir, the list of our present membership.

The council set up this committee on extension of social-security benefits in 1948. But the committee was not limited to representatives of educational bodies. It was a broad committee, and it included delegates from other associations of nonprofit agencies that are excluded from the Social Security Act, such as the American Library Association, the American Red Cross, the American Vocational Association, the Federal Council of Churches of Christ in America, the National Catholic Welfare Conference, the National League of Nursing Education, and the National Social Welfare Assembly.

Our committee studied this problem and finally came up with a recommendation asking for the mandatory inclusion of the privately owned, privately controlled nonprofit organizations and the voluntary inclusion of the publicly controlled institutions.

The basic reason for our recommending a voluntary inclusion of the publicly controlled institutions was, of course, the constitutional question and none other.

Senator KERR. Do I understand that recommendation to be with reference to groups of employees who do not have a retirement system of their own? Or without regard to that feature?

Dr. GRAY. Without regard to that, sir. As a matter of fact, we believe that the provisions of H. R. 6000 with respect to the publicly controlled institutions are correct and quite sufficient to safeguard the situation insofar as the employees of publicly controlled institutions are already under retirement systems.

Senator KERR. Illustrate what you mean, please, by "publicly controlled institutions."

Dr. GRAY. Policemen's and firemen's departments, public schools, and so forth. And in my city we have colleges owned and controlled by the city.

The effect of the proposal in H. R. 6000 is that coverage under the Federal act, so far as public agencies, would be voluntary to begin with; that is, at the election of the State. Then where there is a retirement system in effect, the employees covered by the system could not be brought in under the Federal act except after a referendum and an approval by two-thirds of those covered by the existing retirement system.

Senator KERR. Now, there is some confusion as to whether the provisions of H. R. 6000 require the affirmation of two-thirds of those covered in any single program, or just two-thirds of those who might be voting in a referendum with reference to transferral of coverage.

Dr. GRAY. Well, I did not think of that when I read it, but that is a procedural question that can easily be clarified. We would approve of that provision, but we do believe that all of the State and local governments of the country should be permitted, if they wish, to come in under the Federal Social Security Act. You cannot limit the problem to those existing systems, such as in New York, where there is reasonably ample protection. There are a great many of these publicly controlled institutions throughout the country in which adequate retirement systems do not prevail. And it seems to us that they should be permitted to come in on a voluntary basis if they see fit.

The reason for the conclusions reached by the committee are compelling and too obvious to need elaboration. It is a matter of simple justice for the men and women who serve these organizations. There are a million of them. They include not only persons in the professions, such as teachers, doctors, nurses, social workers, but also clerical workers, maids, kitchen help, janitors, and common laborers.

Like those in the employ of private industry, they face the prospect of an inability to continue at work because of advanced years. Like them, too, their earnings are insufficient to enable them through individual savings to make provision for their old age.

Of the million, only a small fraction are covered by retirement plans voluntarily established by the institutions in which they are

employed. Even of these plans, many are inadequate. Particularly harassing is the fact that the right to benefits under a private plan is commonly contingent upon long years of service with the organization which has established it, so that a change of job is usually penalized by a sharp reduction in retirement rates, or even a total loss.

The nonprofit educational, religious, and charitable organizations render great public service. But they can function only through the agency of the men and women whom they employ. These men and women have every right to expect that their labor will earn them a livelihood; and a livelihood means not only satisfaction of immediate needs but some measure of protection against the economic hazards which confront all wage earners. The very fact that these men and women have devoted their lives to the service of institutions which are vital to our national welfare should make them the first to be considered in any scheme of social insurance; surely not the last.

For the organizations, too, coverage under the Federal old-age insurance system would mean the solution of problems pressing upon them with growing weight. Their governing bodies are daily confronted with the moral responsibility of caring for their aging employees. Yet, they find it more and more difficult to deal with this need adequately through separate action. Nor is this a problem which will resolve itself with time. On the contrary, the passage of the years only worsens the situation and makes a solution all the harder.

Senator KERR. Do you think that situation is much more acute with reference to those groups of employees who do not have their own retirement system than it is with reference to others who have retirement systems even though they may be inadequate?

Dr. GRAY. Well, naturally, sir. On the other hand, those retirement systems that do exist have a number of defects, and of these not the least is the one I suggest here, and which has been referred to by the gentleman who testified for the Teachers Annuity and Insurance Association.

Senator KERR. That is the in-and-out problem?

Dr. GRAY. The in-and-out problem; which is quite a problem when you are on the board of trustees of one of these organizations and have the problem of recruiting a staff.

Senator KERR. What would be your reaction, in the face of what seems to be almost universal insistence from those representing these groups that are covered that H. R. 6000, if enacted, would do something to them instead of something for them?

Dr. GRAY. I can't understand that position at all. The fact remains that the amount of contributions under the Federal Social Security Act, whether it is the existing law or the new one which is proposed, buys more by way of insurance protection that it is possible to buy under any private system. I think that the gentlemen of the Teachers Annuity and Insurance Association will agree that despite the fact that they are a nonprofit organization and do not have business commissions and other expenses of that kind, nevertheless, they are unable to give the same amount of protection that one can obtain from the Social Security Act.

The way our committee sees it, there ought to be an integration. And one of the things we suggest is that the bill as drawn should

leave open the integration of the private system with the Government system. But we believe that the Government system should be all-inclusive, thus affording a basic protection for everyone.

And, in that connection, I should like to say a word or two about the proposal in H. R. 6000. This proposal includes as a matter of compulsion the employees of the privately controlled nonprofit institutions, but it does not bring in as a matter of compulsion the institutions themselves. It leaves it to them to say whether they want to come in or not.

Senator KERR. Now, where would they come in other than that their employees would be covered?

Dr. GRAY. As to the employers' contribution. Thus you would have no compulsory employer contribution from these institutions. You would have a contribution imposed upon their employees, but the institution would be free to elect whether to come in under the system or not.

Senator KERR. You think that should be made mandatory?

Dr. GRAY. Yes. And if you will permit me, sir, I should like to indicate very briefly why. The result of that kind of formula is to reduce the benefits to these employees.

In my paper I say that the reduction would be 50 percent. That is inaccurate, because, on recalculating it, it isn't 50 percent in all cases; it would run from about 50 percent to 20 percent, depending upon the amount of the individual's earnings. But the unhappy part about it is this: That it operates adversely to the lowest-income group. In other words, an employee of a non-profit-making institution earning no more than $100 a month would suffer a 50-percent reduction in benefits. The better-paid workers would likewise suffer a reduction, but not as great. It seems to me that that is a social principle operating in reverse. And there is no reason for this kind of discrimination. If the proposed bill would offer protection which goes beyond a basic minimum, then you might say, "Well, we will cut down on these people." But since it is only a basic minimum at best, what you are doing is not making even that basic minimum available to these employees.

Moreover, I might suggest, sir, that it is going to do the institutions no good. I happen to sit on the boards of a number of institutions, and I know that we have a constant problem with respect to our aging employes. Unless this bill offers an adequate minimum, it will be no solution for us at all. And it seems to me that the problem of moral responsibility that these organizations have and the problem of staffing in the competitive situation in which they find themselves would not be solved for them by this proposal.

I might also add, of course, that what is likely to happen is that the weaker institutions, the financially weaker ones, are the ones that won't avail themselves of this provision for voluntary coverage, and that is where the protection is most needed.

The views of our committee were submitted to the council members. And I might say, sir, that they were very well, and in some cases, enthusiastically, received. And that holds true not merely of the teaching staffs but holds true of the administrative officers.

Thereafter these views—that is, the recommendations of our committee—were submitted to a meeting of the 70 national educational

organizations that are the constituent members of the council, and as a result, the following resolutions were adopted by that meeting:

Resolved, That the representatives of the constituent members of the American Council on Education favor the extension of the old-age and survivors benefits of social security to nonprofit, charitable, educational, and religious institutions and organizations, whether privately or publicly controlled.

Resolved, That the representatives of the constituent members of the American Council on Education favor the extension of old-age and survivors benefits of social security to publicly controlled institutions on a voluntary basis.

Resolved, That the conference go on record approving the recommendations of the committee in favor of mandatory extension of old-age and survivors insurance to tax-exempt, nonprofit institutional organizations.

Finally, what we respectfully recommend is that this coverage should be written in the light of the following basic principles:

1. Recognition that the private nonprofit institution's payment to the old-age and survivors insurance fund is a special contribution for a specific purpose and that in no way does it alter the tax-exempt status of these institutions nor the principles which justify such tax exemption.

2. No distinction should be made between professional and nonprofessional employees but the coverage in these institutions should be universal. This, however, would not affect individuals who are members of religious orders who would be exempted since they are not in a status of employment as defined in any social-security legislation.

3. The Federal old-age and survivors insurance system should be supplementary to existing private and public local or State pension and retirement plans.

4. The method of correlating existing pension and retirement plans with the Federal system should be left to the individual private institution and, in the case of public institutions, to the State and local units.

The CHAIRMAN. Thank you very much for your appearance.

Dr. GRAY. Thank you, Mr. Chairman.

(The following material was submitted for the record:)

THE FEDERAL COUNCIL OF THE CHURCHES OF CHRIST IN AMERICA,
DEPARTMENT OF CHRISTIAN SOCIAL RELATIONS,
New York 10, N. Y., January 16, 1950.

HON. WALTER F. GEORGE,
Chairman, Senate Finance Committee, Senate Office Building
Washington 25, D. C.

DEAR SENATOR GEORGE: The Federal Council of the Churches of Christ in America, at its executive committee meeting held in Atlanta, Ga., December 6, 1949, adopted a resolution favoring extension of social security to cover lay employees of churches and nonprofit organizations.

I have been informed that your committee is now holding hearings on a bill which would extend the coverage of the Social Security Act in line with the bill H. R. 6000, passed by the House. I am attaching a copy of the statement adopted by our executive committee and would appreciate your having this statement read into the record of your hearings.

Thanking you for your cooperation, I am

Sincerely yours,

BEVERLY M. BOYD,
Executive Secretary.

A STATEMENT ON THE EXTENSION OF THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE SYSTEM UNDER THE AMENDMENTS TO THE SOCIAL SECURITY ACT AS ADOPTED BY THE EXECUTIVE COMMITTEE OF THE FEDERAL COUNCIL OF THE CHURCHES OF CHRIST IN AMERICA

I. The executive committee, at its January meeting in 1945, adopted the following statement: "We endorse the extension of the old-age and survivors insurance system to agricultural workers, domestic servants, employees of nonprofit organizations, and the self-employed." In the same statement is a specific reference to favoring inclusion of the "lay employees" of churches. At the same time the executive committee noted that "within recent months a number of Protestant denominations have gone on record as favoring the inclusion of lay workers of religious institutions in the old-age and survivors provisions of the present social security system. The churches unquestionably must support this as a minimum requirement and be prepared to meet the necessary costs."

II. Since this, the afore-mentioned action of the executive committee, the Congress has taken definite steps to enact legislation extending benefits under the social-security legislation.

III. The exact status of the pending legislation is described in the following paragraph:

There is now under consideration by Congress a method of providing for compulsory protection under old-age and survivors insurance for lay employees of nonprofit organizations, including churches, but permitting the employer to elect or reject participation in the system of insurance contributions and benefits for the employee. The House of Representatives has passed a bill containing the above-mentioned provision. The Senate has set dates for hearings on this proposed legislation for early in January.

Under this bill, if the employer elects to participate, the employee would be fully covered. If the employer declines to participate, the employee would receive a lower benefit. Because of the weighting of the formula of benefits in favor of the low-income employee, the average employee would receive something in excess of one-half of the full coverage.

IV. The resolution:

Therefore be it resolved, That the executive committee record itself in favor of the method noted above for the extension of social-security benefits to lay employees of nonprofit organizations, including the churches, feeling that this action is in accord with our resolution of 1948.

NEW YORK UNIVERSITY,
SCHOOL OF EDUCATION.
New York 3, N. Y., January 17, 1950.

Hon. WALTER F. GEORGE,
Chairman, Senate Finance Committee, Senate Office Building,
United States Senate, Washington, D. C.

DEAR SENATOR GEORGE: I am writing to you at the request of the New York University chapter of the American Association of University Professors in support of legislation now before the Senate Finance Committee designed to extend the Social Security Act to include employees in nonprofit institutions. We are heartily in favor of this legislation.

Faculty members and other employees of New York University are citizens and taxpayers. Our taxes help support the Social Security Act just as surely as do the taxes paid by persons employed in business and industry. We have the same problems of providing for our old age and retirement that other persons have. We believe that simple justice would indicate the desirability of including employees of nonprofit corporations under the provisions of the Social Security Act.

I wish to point out that although the group that I represent is the teaching faculty at New York University, there are among the employees of this, the world's largest university, many nonteaching employees whose work is in fields usually included under social security, such as secretarial workers, elevator operators, janitorial staff, guards, and many others. On the whole their need for inclusion under the benefits of the Social Security Act is even greater than is that of those of us who render the teaching function. All of us are at a great disadvantage in planning for reasonably adequate retirement so long as we are excluded from the benefits of social security.

We are confident that your committee will be favorably disposed toward including employees of nonprofit institutions under the Social Security Act. I do not wish to impose upon the time of your important committee by requesting the privilege of a personal appearance. If, however, you should feel that a personal appearance at your hearings would be desirable or beneficial, I shall be glad to appear, and am authorized by my colleagues to do so. I wish to state the belief that a vast majority of employees of nonprofit corporations, probably well in excess of 90 percent, are in favor of being included under the provisions of the Social Security Act. I shall greatly appreciate it if this statement can be included among those presented at your hearings.

With best wishes for the success of your efforts, I am,

Sincerely yours,

ALONZO F. MYERS,
Chairman, Department of Higher Education.

AMERICAN HOME ECONOMICS ASSOCIATION,
Washington 1, D. C., January 25, 1950.

Hon. WALTER GEORGE,
Chairman of Finance Committee,
Senate Office Building, Washington, D. C.:

As chairman of the legislative committee of the American Home Economics Association I would like to express, according to the association's legislative policy, our interest in the revision and extension of the Social Security Act as stated in H. R. 6000.

The AHEA is a professional organization of 19,500 home economics college graduates in the 48 States and the District of Columbia. The paramount interest of all our members centers around the problems of the home, family life, and the individual welfare.

As professional home economists we work to raise the standards of living for for American families by assisting them to use their current resources to the best advantage. An objective of our association, as stated in our constitution, "the development and promotion of standards of home and family life that will best further individual and sclal welfare," expresses the purpose in our desire for passage of H. R. 6000 with its extension of coverage, especially including (1) domestic servants, (2) employes of nonprofit institutions, and (3) agricultural processing workers.

We urge that your careful consideration be given this bill as it is our conviction that increased coverage and liberalization of the Social Security Act will be a means toward an end to strengthen our national economy by making its workers self-reliant.

We also urge that you promote speedy affirmative action on H. R. 6000. We will appreciate your having this statement incorporated in the record.

Respectfully submitted.

MARGARET S. MANGER,
Chairman, Legislative Committee.

The CHAIRMAN. We are asked to call out of order one of the witnesses. We are advised that it is necessary for him to get away. Mr. John H. Hayes, chairman of the council on Government relations of the American Hospital Association.

STATEMENT OF JOHN H. HAYES, CHAIRMAN, COUNCIL ON GOVERNMENT RELATIONS, AMERICAN HOSPITAL ASSOCIATION, WASHINGTON, D. C.

Mr. HAYES. Thank you, Mr. Chairman.

My name is John H. Hayes. I am superintendent of Lenox Hill Hospital, New York City, former president and now chairman of the council on Government relations of the American Hospital Association.

I have but a few words to say in connection with our rather long testimony. There are two aspects of H. R. 6000 in which we are

particularly interested. For many years the American Hospital Association has testified in favor of having OASI extended to the employes of nonprofit hospitals. The American Hospital Association represents 4,000 of these hospitals, with about 90 percent of the general hospital beds of the country.

Senator KERR. You recommend that coverage on a contributory basis, on a basis in which the employer and the employee contribute, be approved?

Mr. HAYES. Yes. We have no comments to make and no position to take with respect to that exemption, realizing that a great many religious institutions have their own feelings on this subject; and it is my own opinion that practically all will come in anyway and pay both the employers' and the employees' part of it.

Although hospital employment is secure and stable and not seasonal, it gives great satisfaction and even inspiration, yet it does not give security in old age, except perhaps in a few of the wealthier hospitals of this country.

In 1945, realizing that our employment situation was affected in that way, the American Hospital Association joined with the National Health and Welfare Retirement Association in designing a form of pension for hospital and other nonprofit workers. This, of course, costs more than the Federal social security. In other words, it takes about 8 percent—5 from the employee and 3 from the employer, as compared with a total of 3 percent in the present bill—in order to provide about the same benefits to the lower paid workers, because of actuarial principles involved and the absence of tax funds as a background.

We must at all times, of course, compete with industry, and this lack of social-security coverage affects us greatly in our failure to secure help. Those that are covered do not want to have a break in it, and those that are beginning to work want to have it from the very beginning.

As I stated before, we have no position to take on optional coverage, but we are pleased that there is included in the bill a statement to the effect that payment of the employer's share will not affect the tax exemption of the institutions.

We have one comment to make, though. Under the present law, an employee would not be eligible for retirement benefits unless he had made contributions for half of the time since 1936, or at least 10 years. H. R. 6000 relaxes this requirement somewhat. Under that bill, an employee would be eligible for retirement benefits after contributing to the system for a minimum of 20 quarters, or 5 years. Thus an employee 61 years of age would have to work until 66 years of age before obtaining a retirement benefit. This provision of H. R. 6000 is not entirely fair to the older employee.

Therefore, we strongly urge the recommendation of the Advisory Council, which would treat newly covered employees in the same way as employees were treated when the system was started in 1936. I believe a previous speaker mentioned that.

This would make our employees eligible for retirement benefits after they had contributed for at least six quarters, and half of the time after coverage is extended to them.

You must be fair to these employees who have been excluded from the system through no fault of their own.

My second comment is this: Our association favors improving the public-assistance program under the Social Security Act. In fact, a resolution was adopted last week by our board of trustees wherein it is stated that it is recognized that public-welfare departments are now handicapped in carrying out their existing responsibility to assure medical care when needed and not otherwise available to recipients of federally aided public assistance, by the inadequate financial assistance of the Social Security Act and its requirement that all aid be extended in the form of cash payments to the recipient.

The resolution continues:

> It is therefore recommended that the latter restriction be eliminated, and that the agency administering assistance be authorized to finance the purchase of medical care in behalf of assistance recipients.

In order to assure the quality of medical care thus purchased for assistance recipients, as related to their individual needs, it is also recommended that its financing be accomplished through funds earmarked for that purpose, rather than charged against the funds available for cash payments to individuals.

The further view is expressed that any provision to finance medical care for assistance recipients should permit the administration of the medical aspects of such care by public-health departments.

We also feel that any federal funds should be limited, as to the purchase of hospital care, to those hospitals which comply with State standards. At the present time, due to the impetus of the Hospital Construction Act, 31 States have such standards.

We also feel that there should be clarification in the bill to indicate that medical care also means hospital care. That is generally understood, but it is not so stated in the bill.

Also, if it is not possible to include all illnesses, we recommend that medical assistance include long-term care in chronic diseases other than tuberculosis and mental diseases. We recommend that because of the constantly expanding span of life of the aging population. We also feel that it should be provided that care of tubercular and mental short-term cases should be cared for in the general hospitals, because early diagnosis and treatment in such cases often prevents the long-term stays in the State and other hospitals.

We believe the bill could well include permission for the payment of subscription charges or other methods in connection with the nonprofit prepayment plans under which many millions of our people are now covered. It is our hope that some States will experiment with this, as it does eliminate the means test at the time of medical need, and there are, of course, a great many other advantages.

That, of course, is included in Senate bill 1456, on which I have testified, and which includes arrangement through the States with Blue Cross plans, and not on a subscription basis but on the basis of payment for care only as required.

We also favor the variable distribution of funds according to the per capita income of the various States. The Hospital Construction Act has that in it, and it is working out very satisfactorily, as you know.

Hospitals, of course, cannot provide care without money. There are three ways to secure it: charity, general taxation, and insurance—nonprofit insurance. Even under the best conditions, with nonprofit

insurance, and the fact that a great many people will always be able to take care of themselves in times of illness, there will always remain some for whom the welfare departments will have to care. It has been our experience that these welfare departments in nearly all the States have been either unable or unwilling to help in their care. They have not had the funds for the most part. We believe that under this bill this Federal stimulation will bring about a better local and State operation of welfare funds for the care of sick people.

The CHAIRMAN. Any questions?

Senator Kerr?

Thank you very much, sir.

We will insert your full statement in the record at this point.

(The statement referred to is as follows:)

STATEMENT OF JOHN H. HAYES, CHAIRMAN, COUNCIL ON GOVERNMENT RELATIONS, AMERICAN HOSPITAL ASSOCIATION, RE H. R. 6000 (AMENDMENTS TO THE SOCIAL SECURITY ACT)

For the record, my name is John Hayes. I am superintendent of Lenox Hill Hospital, New York City, and a past president and trustee of the American Hospital Association. I am presently chairman of its council on Government relations. I appear before you on behalf of the American Hospital Association, whose 4,000 institutional members include approximately 90 percent of the general hospital beds of this Nation.

The American Hospital Association is concerned with two aspects of the bill now before you. (1) For many years we have been urging the Congress to extend the old age and survivors insurance provisions of the Social Security Act to cover employees of nonprofit hospitals. (2) And since hospitals are so closely concerned with providing care to persons in need, we favor improvement of the public-assistance programs through the provision of medical and hospital care to assistance recipients.

OLD-AGE AND SURVIVORS INSURANCE

We are asking the protection of old age and survivors insurance for more than 400,000 full-time employees of nonprofit hospitals in this country.

These are the people who provide care to most of our citizens who enter hospitals. In 1948, more than 10,000,000 people (more than 10 percent of our population) were admitted to hospitals. Of these, more than 10,000,000 were admitted to the voluntary or nonprofit hospitals. Thus, when one goes to a hospital, the chances are that he will go to a nonprofit hospital, to be cared for by employees who have no social security.

These voluntary hospitals, I might add, are scattered among communities all across the country. Roughly a thousand of them are church-affiliated hospitals; about two thousand are nonprofit community hospitals. The voluntary hospitals carry the major part of the burden of short-term, acute hospital care in this country. But we do not wish to ignore the many good city and county hospitals that also provide short-term, acute care. These institutions are usually maintained by local governments in recognition of their obligation to the sick poor of the community. OASI is denied to employees of these tax-supported institutions, too, and we are pleased to see that H. R. 6000 proposes to remedy this situation through voluntary compacts with State and local governments.

The quality of hospital care depends very much on the excellence and efficiency of the hospital employee. We are constantly faced with the problem of providing our employees attractive, wholesome working conditions, and some measure of security. But, hospital employees can't get old-age benefits under social security. They may even lose the benefits they have earned in other employment by going into hospital work.

We believe hospitals have been successful in providing excellent working conditions for employees. Hospital employment is secure and stable. There is no seasonal unemployment. For the most part, hospital work is pleasant and gratifying. There is a great sense of satisfaction about being part of an organization that cares for sick people. The humanitarian motives in hospital work make its rewards not only satisfying but even inspiring. Our ranks include

many fine old people who have devoted their lives to unselfish, helpful service. They find real joy in caring for the sick.

Should older hospital workers, having devoted their lives to charity, be dependent upon charity in their old age?

When these people reach the end of the road and can no longer carry the burden they should have the same protection in their old age that the social-security system offers to workers of other industries. These 400,000 workers should be protected, if only as a partial reward for their many years of service to society in a humanitarian occupation.

OUR OWN PENSION PROGRAM

Although we have been on record for many, many years urging the Congress to extend old-age and survivors insurance to nonprofit hospital employees, we have not waited for the Congress to act. We have established a pension plan of our own. In 1945 a committee of the American Hospital Association made a study of available pension programs. It recommended cooperation with the National Health and Welfare Retirement Association of New York which provides service to other nonprofit organizations who suffer under the discrimination of this act. By this means we have made it possible for some hospitals to protect their employees in their old age through a choice of pension systems. However, although I happen to be a trustee and an officer of the National Health and Welfare Retirement Association, I know that hospitals would find it easier to have their employees protected by the Social Security Act for many reasons. As a matter of fact, the National Health and Welfare Retirement program is designed as a supplement to the Federal plan, with the expectation that the pension plan and social security will work together.

The present Federal old-age benefits are provided with a total pay-roll deduction of 3 percent; that is, 1½ percent from the employee and 1½ percent from the employer. But this does not nearly represent the actual cost of the protection provided. The Federal Government is able to set its contribution rates far below cost because it can raise additional funds through taxation at a later date when more people will claim benefits. Such a practice is not possible in an independently financed program which must be based on sound, actuarial principles. So, in comparison with the present Government rates, the cost of the National Health and Welfare Retirement Association plan must be greater. Hospitals must pay 5 percent of pay roll plus 3 percent deducted from salaries of employees; that is, a total of 8 percent, as compared with a total of 3 percent under the Government program, for benefits which are very similar in low-income groups.

As I have already pointed out, the pension plan of the American Hospital Association is not intended as a substitute for old-age and survivors insurance under the social-security program. Even those hospitals which have been able to establish pension systems are most eager to have their employees included in old-age and survivors insurance as well. And, of course, only a small number of hospitals have been able to offer pension plans because of the higher cost involved. In most voluntary hospitals the employees are entirely unprotected against the needs of old age; and for that reason these hospitals are finding it more difficult to obtain employees in competition with industries which can offer the benefits of old age and survivors insurance.

OPTIONAL COVERAGE

The American Hospital Association has taken no position in the question of optional coverage for nonprofit institutions. We appreciate the concern of the religious groups, many of which are members of our association, over the possible jeopardy to their nonprofit tax-exempt status through the imposition of a compulsory social-security contribution or tax or for other reasons. It is important that the protection of old-age and survivors' insurance be extended to employees of nonprofit hospitals as soon as possible. And we believe nearly all nonprofit hospitals are so eager to have their employees protected that they would disregard the waiver privilege.

In any event, we are pleased that a clause is inserted in the act stating that the traditional tax-exempt status of nonprofit institutions shall not be affected by participation, voluntary or otherwise, in this program.

ELIGIBILITY REQUIREMENTS

It is not enough to extend old-age and survivors' insurance coverage to employees of nonprofit hospitals unless the law is also adjusted so that they may become eligible for benefits within a reasonable time. Under present law, an employee would not be eligible for retirement benefits unless he had made contributions for half of the time since 1936, or at least 10 years. H. R. 6000 has relaxed this requirement somewhat. Under H. R. 6000 an employee would be eligible for retirement benefits after contributing to the system for a minimum of 20 quarters or 5 years. Thus, an employee 61 years of age would have to work until age 66 before obtaining a retirement benefit. This provision of H. R. 6000 is not entirely fair to the older employee.

We strongly urge the recommendation of the Advisory Council which would treat newly covered employees in the same way as employees were treated when the system was started in 1936. This would make our employees eligible for retirement benefits after they had contributed for at least six quarters and a half of the time after coverage is extended to them. You must be fair to these employees who have been excluded from the system through no fault of their own.

APPENDIX MATERIAL

Appendix A attached to this statement gives the record of the official position of the American Hospital Association with respect to old-age and survivors' insurance. You will note that we have urged extension of OASI coverage for many years.

Appendix B contains representative comments from individual hospitals in various parts of the country taken from letters which have been written to us and to Members of Congress.

On behalf of the hospitals of the Nation, we respectfully urge you, gentlemen, to take action on this important matter as speedily as possible. Action on social security has been under study for many years. We know that it has been given most careful consideration. We have been concerned about it, too, and for the last 9 years we have been urging Congress to provide this coverage for our employees. You may be assured that the hospitals in your own community will be grateful to you for this needed protection to their employees, all of whom stand ready to serve you when you need care.

PUBLIC ASSISTANCE

The American Hospital Association is also interested in the proposals to improve the public assistance program under the Social Security Act. We have a number of specific suggestions with respect to making it possible for these people to receive medical and hospital care when they need it. In many ways the present act is inadequate as I am sure you realize.

Our board of trustees met in Chicago last week, February 8 and 9. At that meeting the board approved the following statement:

"It is recognized that public welfare departments are now handicapped in carrying out their existing responsibility to assure medical care,[1] when needed and not otherwise available, to recipients of federally aided public assistance by the inadequate financial provisions of the Social Security Act and its requirement that all aid be extended in the form of cash payments to the recipient. It is therefore recommended that the latter restriction be eliminated and that the agency administering assistance be authorized to finance the purchase of medical care in behalf of assistance recipients. In order to assure the quality of medical care thus purchased for assistance recipients and relate it to their individual needs, it also recommended that its financing be accomplished through funds earmarked for that purpose rather than charged against the funds available for cash payments to individuals. The further view is expressed that any provision to finance medical care for assistance recipients should permit the administration of the medical aspects of such care by public health departments and that such arrangements should have the support of these six organizations."

Therefore, it may be said that we favor (1) the amendment which would authorize State agencies to purchase medical and hospital care for recipients of public assistance. Many of the agencies would prefer to do this but are

[1] Wherever the term "medical care" is used in this statement, it is understood to include dental, nursing, hospital, and other health care as well as physicians' services.

prevented by the requirements of the Federal act. As a result, recipients of public assistance have too often failed to obtain needed hospital and medical care.

We also favor (2) the provision of special funds for medical and hospital care in addition to public assistance. When we testified before the House Ways and Means Committee we supported the proposal that the Federal Government should share in assistance up to an average of $6 per month per adult recipient and $3 per month for children.

In that testimony we expressed an opinion that an average of $6 per month might be adequate for those already on relief rolls; but we pointed out that if relief agencies desired to provide medical care only to persons not otherwise receiving assistance, $6 per month would not go very far. However, we strongly urge that the Federal Government make at least some start toward encouraging States and local communities to provide properly for medical and hospital care for persons unable to pay for it.

We further recommend (3) that in the administration of this program with respect to medical and hospital care, the bill should permit State welfare agencies to enlist the cooperation of State health departments which have experience in health matters. State health departments have had experience in purchasing hospital care for groups of persons under such public programs as crippled children, EMIC, and others. Adequate understanding of the problems involved in the administration of health care is essential to success. We feel that welfare departments should be urged to enlist and utilize information and assistance from such other departments within the States as have had working knowledge of hospital and medical problems.

HOSPITAL CARE SHOULD BE INCLUDED

We strongly urge (4) a requirement that the State agency should limit its purchase of hospital care to hospitals which comply with standards established by the State for all hospitals irrespective of ownership and control of the institution. The American Hospital Association has recommended for years that State governments should establish minimum standards of hospital maintenance and operation, and that these standards should be effective as to hospitals. Thirty-four States have hospital licensing laws which establish such standards.

In defining medical care to be provided to public assistance recipients we have noted that the word "hospital" does not appear. Although in a general sense the term "medical care" and "hospital care" are not clearly distinguished, we urge (5) that the definition of medical assistance be clarified so as to specifically include hospital service. By this clarication we believe possible confusion may be avoided.

In the proposal introduced in the House there was a provision for hospital care which excluded care for mental cases and tuberculosis. We believe there should be no such exclusion. Yet we realize that this may be impossible at the present time because of the cost. The only defense for such exclusion would be that the States have assumed this responsibility, although it may be argued that the adequacy of care provided in these types of hospitalization in many places leaves much to be desired. If it is not possible to include all types of illness, we recommend (6) that the definition of medical assistance should include long-term care for patients suffering from chronic diseases other than tuberculosis and mental illness. In an aging population chronic care is becoming an ever increasing problem which must be met by society.

But we would further like to point out to you that modern medical science recommends the diagnosis and early treatment of mental illnesses and tuberculosis in short-term general hospitals. Short-term hospitalization has been found to be effective as a curative or preventive measure in many such cases. It is believed that when such cases are transferred to domiciliary institutions for a long period of illness at Government expense, intensive treatment in a short-term general hospital might lead to much earlier and more frequent cure. Therefore, we recommend (7) that in defining medical and hospital care to be provided under this act, care of mental and tuberculosis cases in short-term hospitals should be included.

We recommend (8) that the definition of medical and hospital assistance should permit the payment of subscription charges in prepayment plans for hospital and medical care. We hope that some of the States will experiment with the prepayment principle and develop it as a usable means of assuring those persons who receive care at Government expense that they are not subjected to an

inferior quality of care because of their relief status. We believe that the services of Blue Cross and Blue Shield prepayment plans should be utilized in providing the proper distribution of medical and hospital care to relief recipients. These prepayment plans have helped many of our citizens to be self dependent in times of illness when they might otherwise have had to ask for relief. We believe they can perform a considerable service in this program.

As a matter of fact the AHA believes that the voluntary health insurance plans can be used by Government in meeting its fundamental obligation for the care of persons unable to provide for themselves. A proposal to do this has been introduced in the present Congress by Senators Hill, O'Conor, Withers, Aiken, and Morse. This is the voluntary health insurance bill, S. 1456, which the AHA strongly supports. We believe that it offers a more satisfactory method of providing care to persons on relief than does H. R. 6000. While the AHA supports the proposals of H. R. 6000 with regard to medical and hospital care for relief cases, we strongly urge the provisions of the voluntary health insurance bill as a preferable method of providing care to persons unable to pay for it.

The American Hospital Association has been on record many times in favor of (9) a variable distribution of Federal funds among the States according to per capita income, which is a reflection of economic need. There is no question but that the unmet need is clearly far greater in States which have low income. The Hospital Survey and Construction Act contains a variable grant provision that has worked out very satisfactorily. We think it is a good precedent to follow in the distribution of public assistance. There seems ample justification for varying the amount of Federal assistance in proportion to the need for it.

In closing, I would like to remind you that hospitals in every community are called upon to provide care to people who cannot pay for it. We believe this is one of the most pressing problems in our economy today.

Provision for care to the poor is one of the most difficult problems of hospitals. There is no magic that enables any hospital to care for the people without cost. Food, drugs, linens, equipment must be purchased. Salaries must be paid to employees. In short-term hospitals there are usually twice as many employees as there are patients. Hospital care costs money.

Hospitals are merely instruments of society. Society has an obligation to care for those who are not able to care for themselves. This obligation must be met in either of two ways: (1) voluntary charity, or (2) general taxation.

There is a third way. Our Blue Cross plans, originally sponsored by the American Hospital Association, have made it easier for the average citizen to protect himself and his family against the emergency costs of hospital illness. The voluntary prepayment plans have made it possible for millions of our citizens to prepay the costs of hospital care where they would otherwise have had to depend on voluntary charity or governmental assistance. The Blue Cross plans have lifted millions of individuals out of indigency and enabled them to be self-reliant and self-dependent.

We believe that if the Federal Government can show its interest in making available medical and hospital care to the needy through a State assistance program, it will stimulate the States in the development of such programs. On the basis of our experience in the administration of health services, we can testify wholeheartedly that in most of the States such stimulation is badly needed. Therefore, we strongly endorse the proposals which have been made to strengthen the public assistance program by making medical and hospital care more easily available to recipients of assistance under this act.

APPENDIX A

AMERICAN HOSPITAL ASSOCIATION POSITION

The records of the American Hospital Association show that as far back as February 1940 our board of trustees urged the elimination of the "exemption of services performed in the employ of nonprofit, religious, charitable, or educational organizations from the coverage under old age and survivors' insurance."

A year later, in February 1941, our board of trustees took action to endorse the provisions of Senator Walsh's bill, S. 670, to extend the Federal old age and survivors' insurance act to certain employees of religious and charitable organizations, exempting only members of the ministry and regular members of religious orders.

Later, in November 1941, our board of trustees voted that the American Hospital Association should reaffirm its endorsement of the President's plan to include employees of hospitals under the old-age retirement plan of the Social

Security Act but not endorse inclusion of hospitals under unemployment benefits inasmuch as hospitals do not have an unemployment problem.

Again, in 1942, the board of trustees of the American Hospital Association passed a resolution to endorse H. R. 2012, introduced in Congress by Representative Downs of Connecticut, which extends the old-age benefits of the act to hospital employees.

In 1944 and 1945 a special pension committee of the American Hospital Association made a study of the situation and recommended that the American Hospital Association should actively sponsor the establishment of a national retirement plan available to all hospitals, large and small, wherein the entire emphasis is placed on retirement benefits.

The committee urged that every hospital should have some definite, systematic retirement program for its employees of such a nature that it will take the place of social security pending the removal of the exemption and will, on a modified basis, serve to supplement those benefits as and when hospital employees are covered. At the same time the committee recommended that the Association should continue to favor the removal of the exemption which discriminates against employees of nonprofit hospitals.

In March 1946 Past President Smelzer appeared before the Ways and Means Committee of the House of Representatives and on behalf of the American Hospital Association urged the removal of the exemption of nonprofit institutions from the OASI provisions. In 1947 our house of delegates again took action, adopting the following resolution:

"Whereas the house of delegates of the American Hospital Association in Chicago, in 1945, adopted a resolution that hospital employees should be included in the coverage of social security benefits, and that the exemption of nonprofit hospitals should therefore be removed for old-age benefits only; and

"Whereas Dr. Donald C. Smelzer, past president of the American Hospital Association, testified before the Ways and Means Committee of the House of Representatives in support of legislative action which would remove the exemption; and

"Whereas bills have been introduced in the present Congress to provide for various amendments and revisions of the Social Security Act, including proposals which would give employees of nonprofit hospitals old-age and survivors' insurance benefits; and

"Whereas Congress has taken no action toward the amendment of the Social Security Act, although it has been repeatedly petitioned to do so; and

"Whereas nonprofit hospitals are at a disadvantage because their employees are denied the benefits of old-age and survivors' insurance under the Social Security Act: Therefore, be it

"*Resolved*, That hospital employees should be included in the coverage of social security benefits, and that the exemption of nonprofit hospitals should, therefore, be removed for old-age benefits only; and further be it

"*Resolved*, That the copies of this resolution be sent to every Member of Congress to urge that action be taken to give employees of nonprofit hospitals the same benefits and protection, with regard to old-age and survivors' insurance, as is given to employees in other types of employment."

APPENDIX B

Many hospitals have written to the American Hospital Association and to their respective congressional representatives urging the extension of old-age and survivors' insurance to employees of nonprofit institutions. Here are a few excerpts from these many letters:

"As a hospital administrator I would like to state that I feel that employees of nonprofit hospitals should be included in the old-age and survivors' provisions of the Social Security Act. This is one question often asked when we are employing new personnel; especially among lay personnel. Certainly nurses should be included under these provisions." (Nassawadox, Va.)

"We are concerned because our employees have no provisions under the act as they reach the age of retirement. This tends to force the more desirable personnel to other employment, to the detriment of the sick and injured of the community, as well as to the hospital." (Plattsburg, N. Y.)

"The employees of nonprofit organizations are not covered by either Federal or State social security. Because of this condition, hospitals and other nonprofit organizations are finding it increasingly more difficult to secure good employees." (San Jose, Calif.)

"I am an old-timer—nearly 25 years in hospital work. I believe that in considering this question we should be grouped with business concerns and no distinction made because of our type of work. However, there is far less chance of lack of work in the hospital field than in ordinary business. For this reason, unemployment insurance requirements for us is a debatable item." (Woonsocket, R. I.)

"I am writing in distress. We have at present some of the older employees who will, naturally, soon be incapacitated. There is no Government provision made for them." (Atlanta, Ga.)

"This hospital has 165 employees, a surprising number of whom have been in our employ for the last 15 or 20 years. Some of these people are getting close to the retirement age and we have nothing to offer them and they do not have a prospect of being able to live off a very large amount of savings. At the present time we already have one person who has been in our employ for 35 years who is still drawing her full salary as a seamstress although she is hardly able to do any work at all; in effect we are paying her a pension. There are several others for whom we may have to face the same decision within the next 5 years." (Philadelphia, Pa.)

"At the present time there are only a very few hospitals that are financially able to set up a retirement or old-age benefit plan for their employees to compare with what there are in all large industries and most hospitals can offer their employees no benefits of this type whatsoever." (Newton, Kans.)

"We feel most strongly that the employees of our organization should have the Federal coverage which is available to employees elsewhere. These men and women have the same needs as others and even though they may be working for a nonprofit organization they nevertheless are entitled to whatever protection is available for their old age." (Bronx, N. Y.)

"With other hospitals throughout the United States we are having difficulty in securing and retaining efficient employees to care for the sick in our institution. If we are to get the best possible care for our citizens, it is necessary to attract and to have competent help on our staff. Too often the hospital loses out on prospective personnel because we are not included in social-security benefits." (Norwalk, Conn.)

The CHAIRMAN. We will also insert in the record the statement submitted by Mr. J. Harold Stewart, president of the American Institute of Accountants. The letter is self-explanatory and states the position of the American Institute of Accountants with reference to the inclusion of accountants in H. R. 6000.

(The letter referred to is as follows:)

AMERICAN INSTITUTE OF ACCOUNTANTS,
New York 16, N. Y., February 10, 1950.

Hon. WALTER F. GEORGE,
Senate Finance Committee, Washington, D. C.

MY DEAR SENATOR GEORGE: Section 1041 (c) (5) of H. R. 6000, now under consideration by your committee, would exclude from the definition of self-employment income under the Social Security Act income derived from "The performance of service by an individual in the exercise of his profession as a physician, lawyer," etc.

After a canvass of the views of the membership, the executive committee of the American Institute of Accountants has decided against making a request to your committee to amend this section so that certified public accountants would also be excluded from participation.

However, the members feel very strongly that failure to list them with the certain other professional groups which are excluded should not be construed as any reflection on their own professional status. We have noted that members of several other recognized professions, such as architects, pharmacists, and teachers (other than Government employees), will be covered under the act if the section is enacted in the form approved by the House of Representatives, and we conclude that coverage or noncoverage has no bearing on the Congress' views as to what is or is not a profession.

On the assumption that inclusion or exclusion of the various self-employed groups is not intended to have any bearing on professional status, we have withdrawn our request to be heard by your committee. We respectfully request that this letter be made a part of the record of the current hearings on H. R. 6000.

Yours very truly,

HAROLD STEWART, *President.*

The CHAIRMAN. The committee will recess at this time until 2:30 this afternoon.

(Whereupon, at 12:50 p. m., a recess was taken until 2:30 p. m., this same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order. At this time the committee will be pleased to hear from Miss Isabel Epley.

STATEMENT OF MISS ISABEL EPLEY, PRESIDENT, PENNSYLVANIA STATE EDUCATION ASSOCIATION, HARRISBURG, PA.

Miss EPLEY. Mr. Chairman and members of the committee, I am Isabel Epley, a teacher in the Herron Hill Junior High School, Pittsburgh, and president of the Pennsylvania State Education Association, Harrisburg, Pa. As president of the Pennsylvania State Education Association I represent a membership of 53,000 school employees of the Commonwealth who are covered by a State public school employees' retirement system. I voice my vigorous opposition to the provisions of H. R. 6000 which might make possible the substitution of social security for the teachers of Pennsylvania instead of their public school employees' retirement system which was established by law in 1917.

The point of view I present is based on unanimous action of 630 delegates representing our 53,000 members who in delegate assembly on December 28, 1949, expressed their position in these words:

> We oppose any attempt by the Congress to absorb our present retirement system by broadening the scope of Federal social security.

It should be noted that this action relates to prospective as well as present members of our system. It is my contention that the provisions of H. R. 6000, section 218C, lines 20-22, inclusive, page 80, and section 218 (6) (d) lines 10 to 17, inclusive, pages 82 and 83, would result ultimately in the action which our association has unanimously opposed. Our association does not oppose the extension of the benefits of social security to large numbers of our population including public employees who are not otherwise covered by State or local retirement legislation. We do voice our opposition, however, most emphatically to the provision of H. R. 6000 referred to above which would tend to encourage the encroachment of social security upon our system.

It has been held by the Department of Justice of the Commonwealth of Pennsylvania and by the supreme court of the Commonwealth that, upon the establishment of our retirement system and the acceptance on the part of the State of membership and contributions from public-school employees, there was established a contractual relationship binding upon both parties. In formal opinion No. 553, October 30, 1946, the attorney general of the Commonwealth stated:

> School teachers and employees of the various school districts throughout the Commonwealth enter service under a definite contract. Part of that contract is the law of the Commonwealth with reference to their joining the school employees' retirement system.

We object, therefore, to any Federal legislation which would presume to make it lawful for the State to promote or enter into compacts and agreements with the social security agencies in contradiction

to the contractual status established by our retirement law which has resulted in reserve investments as of June 30, 1949, of $302,443,353.38, and which would seem to make it possible for two-thirds of those voting to abrogate the contracts of the one-third voting against inclusion.

It is beyond my ability to convey to you the anxiety of our members. It has reached the point where individuals are considering immediate retirement in order to make sure they have the benefits of our system rather than suffer the loss of their experience credit over the years—and I emphasize that particular feature, the loss of their experience credit, because many of our teachers are near retirement age—and have imposed upon them a system with lesser benefits. I cite this reaction to illustrate the high regard with which our members hold the financial integrity of our system. It may be argued that under the provisions of H. R. 6000 as written, inclusion under social security is possible only by a two-thirds vote. Admitting this, the fact is self evident that the confusion, the doubt, the fear that would result from such a proposed referendum would do irreparable harm to the educational services of our members and create personal emotional disturbances, the effect of which cannot be measured.

I might add, too, that we have a very definite voice in the control of our own retirement system, that is, the teachers of Pennsylvania have; and we would not like to give up the opportunity to have that voice in the administration of our system.

The members of our association are covered by a State-wide retirement system as defined under C, lines 20 and 22, page 80, of H. R. 6000. We shall be satisfied with nothing less than the deletion of this section from the bill. The agreement of the Senate Finance Committee on our position in this particular will then permit the elimination of lines 10 to 17 inclusive, pages 82 and 83, and the substitution therefor of this simple phrase:

(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section.

May I urge most respectfully that the members of the Senate Finance Committee look with favor upon this recommendation. In brief, the proposal that has been presented does not in any way limit the purpose of H. R. 6000 in attempting to cover public employees who do not now have the benefit of a State-wide or local retirement system and it does, on the other hand, remove any doubt concerning the molestation of our already established retirement systems which throughout the Nation have been the culmination of years of effort by the teachers in the respective States and communities of America.

I submit this respectfully, and thank you very much for the privilege of appearing before the committee.

The CHAIRMAN. We thank you very much for your appearance.

Our next witness is Miss Selma Borchardt.

STATEMENT OF MISS SELMA BORCHARDT, AMERICAN FEDERATION OF TEACHERS, WASHINGTON, D. C.

Miss BORCHARDT. I am Selma Borchardt, representing the American Federation of Teachers, the largest Nation-wide, entirely voluntary group of classroom teachers.

We appear here in a triple role. We appear here, first, as a strictly professional group very profoundly dedicated to what a profession should do and we hope does for the welfare of the community. We appear here, secondly, as a group of trade unionists, teachers affiliated with the American Federation of Labor, because we believe that through that affiliation we may render even greater professional service. Thirdly, we appear as a trade-union deeply concerned with protecting our own economic security.

First of all, as professional people especially dedicated to the welfare of America's children, we are very, very happy that steps may be taken through H. R. 6000 to bring greater benefits to the children of America. These proposals are now before this committee. We wish the proposals would go further. We hope they will, particularly for family benefits, because to us the sacred obligation of the community is the maintenance of the family as a basic institution in our well-being, and to the maintenance of the dignity of every human being.

We think the extended coverage and the greater benefits proposed in this bill are in the right direction. If they were greater they would help make America even more secure; and, as professional people, we want to make America more secure through the greater well-being of greater numbers of our people. We are so happy to find that there is, as evidenced in the House action and as evidenced by your own committee, a sincere and indeed profound concern for extending these benefits. We beg of you to find a way in which not only to extend coverage, but to increase the insurance benefits which are to be earned and paid.

We are also very, very happy to find the increase in the Federal Government's share in the benefits for children because, as you gentlemen coming from poorer States know, that at times the States just cannot do any more and the Federal Government must concern itself with the welfare of our Nation's children who cannot help themselves. We are happy to find funds for child welfare services increased. We wish they were further increased. The bill, as it passed the House, is a step in the right direction, and for that we are very, very grateful. But we hope the Senate will respond to the appeal of President Loen to increase the benefits.

We now come to the point which you have had presented to you by a number of people which concerns our own members intimately. We believe that it is the intent of the framers of this legislation to protect the pensions and annuities of those now covered by State and local systems. We know that the framers of this legislation in the House wanted to do this. We believe that the language in the proposed bill could be clarified and strengthened so that this purpose would be even more clearly and strongly set forth. But we have little sympathy with those who say "because we are secure we want nothing done to help others."

We cannot, as professional people, honestly and conscientiously take such a position. We think that such a position is not truly professional. We are here to protect the interests alike of those who are well covered by sound systems, those who are inadequately covered, and those who are not covered at all. We ask that the entire machinery and the entire language of this section of the proposed bill be critically

reviewed and evaluated. We, therefore, submit specific suggestions, which may indicate to you gentlemen what we want.

We would like to ask, first, how the voting is to be conducted on whether or not a group will agree to have a compact negotiated with the Federal Government. We would like to have in the record, and if possible available to us before the bill is reported out, as full an explanation as possible, from the Social Security Administration on how the election is to be conducted.

Senator KERR. Do you think that if provision is made for conducting elections, the procedure of conducting them should be contained in the bill?

Miss ROSENBERRY. The broad principles, yes. Just as the law provides for NLRB elections. But the details are an administrative question, Senator. We think you gentlemen and the Social Security Board are interested in making that procedure as clear as possible, and we have faith in your judgment as to how much of the detailed instructions should be in the bill or whether, as in many of these matters, there shall be in the report of the committee a discussion of what is to be done. What do you suggest, Senator?

Senator KERR. As a member of the committee, I suggest that if you feel that such a provision should be in there, if you feel that the election should be made available to them for a certain purpose, and if you feel further that the present language is inadequate in that regard, I would appreciate your submitting language to the committee which you think would meet your feeling about what should be done.

Miss ROSENBERRY. Thank you, Senator. We are submitting certain very definite proposals at this time, and we welcome your help and the help of the other members of the committee.

The first thing that we ask for, in connection with the election, is that the voting be made secret. We want the voting to be by secret ballot. We think this point is of very, very great importance. We recommend, therefore, that on page 82, line 16, after the word "referendum" there be inserted the words "by secret ballot." We think such a precaution is in keeping with the sound American principle of secret elections and should be preserved here. Teachers and other employees can be coerced, and in some cases would be coerced. We do not want coercion made even possible.

We want to make sure that every community will keep its good, sound pension system if it is good and sound. One of the locals wrote and said that we should ask for an amendment that "sound pension systems be preserved." Well, that immediately raised the questions of who is to judge the soundness and what criteria is to be the measure thereof. We submit that such a proposal would not be practical at all because general standards of soundness would be lacking. We believe that each system must be its own judge of the soundness of its own system. I should like to say here that our convention last year in Milwaukee unanimously endorsed the general provisions of the bill (H. R. 6000). There were about 700 delegates from every part of the country present. Then something happened. There was put in the hands of teachers all over the country statements prepared no doubt in good conscience but statements which aroused their fear of losing the pension benefits they now have. Hence they have become aroused. They should be aroused if this were true, for, of course, they want to protect their economic security. But we be-

lieve it isn't true, even under H. R. 6000 as now written. But to emphasize our position we urge, as a second amendment, that there be an amendment which would assure teachers of the right to vote to accept social security if it did not endanger their existing pension systems.

I was very happy to hear the previous speaker cite actual law, dicta, to the effect that a contractual system exists between the teachers of Pennsylvania and the school system. Obviously, no compact could be made to subvert an existing legal contract, for such a compact would immediately be thrown out by our courts, if tested. It speaks for itself that such a compact between the Federal Government and the State could not be entered into. So, gentlemen, the teachers of Pennsylvania, by their own testimony, are protected in their present rights. The Constitution of the United States expressly prevents a State from passing a law impairing the obligation of a contract. Daniel Webster, in the Dartmouth College case, in 1819, pled this principle eloquently, and Chief Justice Marshall's opinion applies just as strongly now. The States and the Federal Government simply cannot enter into a contract which would impair a presently valid contract. Hence nothing can be done by the legislature to impair any contractually sound pension system. And one which is not sound could be wiped out anyhow. We do not want to exclude public employees who are covered by any system whatsoever, because far too many of them are woefully inadequately covered at this time. Nor could we ethically ask to exclude all public employees for some are not covered at all. The depression taught us how weak some retirement systems are. They were wiped out. I know, Senator George, that in your State there were several municipal systems that were wiped out overnight, and I know of the tragic appeals that were made that something be done through Federal help to save for those whose pearred to be actuarially sound, yet when the local community was unbenefits were lost. While on the face those systems may have appable to make its contribution, the system simply passed out. We are trying to face such a problem now. We trust that such situations will never arise again, but laws to protect our people must be put in language which would cover unfavorable as well as favorable conditions.

We know all too well how inadequate many State and municipal systems are. I have just received a pathetic note from one of our retired members from the Middle West which says, "Please don't let them take my $30 a month pension from me." Then later on she says, "Do you think there would be a way of getting more?"

Well, obviously, that person will not be able to contribute to a payroll contribution for an insurance plan, so that it would be hard to say what could be done to help her under social security. But you can see from her letter the confusion that has been put into teachers. Here she is drawing on a contractual basis, the benefits for which she has paid, and yet is fearful that H. R. 6000 may lower her pension. Yet, she is hoping in some way that it may increase her benefits.

On the other hand, we have thousands of our teachers who are assured of $150 or more per month in a pension from large cities in rich States. Yet, they fear that their administrators may say: "We do not want to continue these expensive systems," and for personal

selfish reasons they may try to wipe these systems out. Unfortunately, we know that there are State and municipal governments that may try to do just that. We don't want that done. We know that if the present pension system exists on a sound contractual basis that it can't be done. But we want to make assurance doubly sure. At this point we wish to offer another amendment. We support this principle and we welcome any aid in perfecting the language. We have had advice in the preparation of this amendment that through the good offices of the chairman who was kind enough to help us in having technical experts to consult. We suggest, in order to assure the retention of the present systems and, at the same time, the expansion of the system to include social security that the following amendment be added: Page 83, line 17, there be inserted a small letter (e), to denote the section, and that the markings of the other sections be changed so as to make them follow in sequence, and that there then be inserted the following:

No agreements with any State may provide for extending the insurance system established by this title to services performed in positions covered by a retirement system in effect on the date of the agreements entered into unless such agreement contains such terms and conditions as the Administrator may determine to be necessary to assure that the extension of such insurance system to such services will not result in any decrease in the benefits payable under such retirement system.

Gentlemen, there are in this section of the bill, already many limitations, and this is simply one more safeguarding limitation.

We are by no means wedded to the language of this proposal, but we submit it as a basis for consideration by you gentlemen and the experts who are consulting on this. We are completely committed to its purpose. This amendment, we hope, amplifies the true purpose of section 218 to protect existing systems and extend further benefits to those now inadequately covered or not covered at all, and to all those desiring additional Federal coverage.

Our third specific proposal, first of all, prompts some inquiries. If a beneficiary is already drawing a benefit from a retirement system, how could he be asked to share in the proposed new system of social security, based upon pay-roll deductions and contributions? Social security, we understand, is purchased insurance. It is based on pay-roll deductions from the employee supplemented by equal contributions by the employer. We recognize the value of a contributory insurance plan. How, then, could those who are not on a pay roll when the social-security insurance is put into effect be made participants except if special provision therefor were spelled out in the compact? How else could they participate?

Furthermore, if they have started to draw benefits already, how could such a compact affect their contract which has been consummated and is now being carried out? How could what amounts to the paying of a premium in the case of already retired teachers, who have met the contractual requirements for the benefits they now receive, be in any way affected by the proposal to deduct from the pay of someone who is not being paid? Would it not seem wise to question how this act can properly propose to have persons who have not begun to receive benefits, determine what is to be done with those who have matured policies; that is, those who are already receiving benefits from a paid-up plan? And on the other hand does it seem just

that those who are no longer contributors, whose contractual rights have fully matured should determine what is to be done for those whose benefits have not yet fallen due? We would, therefore, suggest a third amendment: Page 82, lines 22 to 25: Delete the words—

and to the individuals who on such date were receiving periodic payments under such retirement system.

We further suggest that on page 83, line 9, add:

nor shall any such agreement decrease the benefits paid to any person who at the passage of this act shall be drawing benefits from any State or division thereof.

In further protection of teachers' rights we offer still another amendment: Page 85, sections 2 and 3, we have some further questions and recommendations. We recognize the technical actuarial justification of these sections. We presume the sections are designed to put all persons to whom the benefits of the act are extended on the same footing at the time of the enactment of the law. This principle, we know, is important in terms of computing time, governmental contributions as well as personal payments for ultimate matured benefits. But we submit that these terms are hard; severe, in effect. They destroy, so far as these workers are concerned, the very benefits of the law itself. The purpose of the proposed act is to extend coverage, yet the very benefits here are permanently denied to the innocently wronged workers because the State may have failed to comply with the terms of the agreement for a given period. Under the bill as now written, benefits are denied not only during the period when a State cannot or will not meet its responsibilities, but for evermore.

Now, let us consider this section in terms of the last depression. If a State could not, for 1 year or 2, meet its obligations but the next year, through some method was able to meet those obligations, should the State not have the opportunity to pay back in the necessary fund to restore the benefits? And should there not be the assessment upon the employes so that they could, in the future, undo whatever damage may have been done in that limited period?

We therefore ask for the following amendments to cover this point: Page 85, line 11, Strike out "not later than two years from the date of such notice." Page 85, line 13, strike out the words "unless prior too" and insert the word "until." Page 85, line 19, after the word "Section" add "until there is no longer any legal inability to renegotiate such agreement." Page 85, line 21, strike out "modify such" and insert therefor "enter into any agreement." Page 85, line 23, after the word "group" insert the words: "until the required conditions have been met and the State and its employees shall have paid their respective contributions for the entire period during which the coverage was withheld."

Coming to another point, we should like further clarification on what is meant by "divisions of a State" on page 79; that is, the bottom of page 79 and the top of page 80. Schools are often covered by school districts which are not always comarginal with county or city lines. Could there not be added, after the words "political subdivisions," the words "or other administrative units" or words to that effect? I do not know whether for the purposes of this act a political division would be a school unit, but we should like to have that question more clearly stated. Perhaps this could be clarified in the definitions.

Finally, we ask for clarification of a provision on page 83, line 19. The bill merely provides that the State obligates itself to pay the contribution. The bill does not set forth whether the State shall exact more than half from its employees, whether the employer, the State would pay all, or whether it is to be equally divided. We assume employer and employee would pay equally. We would ask that the language be clarified on that point, in the bill.

We submit, gentlemen, that there are a number of ways of removing fears, fears which teachers now have in connection with the bill before us. We all, we assure you, share in a profound desire to remove not the fears, but the base upon which those fears are grounded. We have submited some suggestions here today. We can submit a number more suggestions. For example, a witness for the New York teachers here referred earlier this morning to what she recalled as Senator Wagner's proposal. Senator Wagner had a series of amendments. I am sure Senator George remembers how this whole question was then actually presented by Senator Wagner.

The CHAIRMAN. Yes; I remember very well.

Miss BORCHARDT. You will recall, first, that Senator Wagner included all State employees. Then the police and firemen and teachers were very much worried, and properly so, that they would lose their status. Then Senator Wagner was asked to remove all of them from the provisions of the bill. Then we all got together, and it was Senator Wagner, you will remember, Senator George, who proposed the compromise, which was submitted for further consideration by you gentlemen, that the initiative for this referendum be left not to the State but to the employees covered by the system. In other words, if the employees are able to initiate the request for coverage, certainly that would mean that they wanted it, and the voting may be held before the application is submitted instead of after. So, Senator Wagner did come around to propose a plan as we do here today, for the protection of systems that exist and the extension of benefits to all.

Still another suggestion: We think it would help materially if there could be a fixed time, a very good time in which our teachers could consider the proposals. We do not want anyone to feel that he is being swept off his feet with a "Here it is; vote on it today; take your chances" proposal. Let us have time to consider these matters, and provide for this time in the bill, on its face.

Finally, we come to answer briefly some of the objections which have been circulated by another organization to this. These objections are, I repeat, probably based upon sincere conviction to preserve what exists, but are based upon fears which we think are not well founded. The objections have terrified the teachers, as the previous witness testified. All these witnesses are correct. This false propaganda has really terrorized teachers, and the confusion has been rampant. I would like to have inserted in the records a statement which has been circulated by one teacher group entitled "Social Security Proposal Spells Danger to Teachers' Retirement." Mr. Chairman, may I please insert this statement?

The CHAIRMAN. Yes; you may. The statement will be inserted in the record at this point.

Miss BORCHARDT. Thank you.

(The statement referred to is as follows:)

SOCIAL-SECURITY PROPOSAL SPELLS DANGER TO TEACHERS' RETIREMENT[1]

H. R. 6000 provides that public employees, such as teachers, firemen, policemen, and other municipal and State employees, may be covered by old-age and survivors' insurance of the Federal Social Security Act by compacts between the State and Federal Governments. If there is a State or local retirement or pension plan covering any of these public employees, they may not be included in a social-security compact unless a referendum vote has been taken within 1 year of entering the compact. The National Council on Teacher Retirement is opposed to the proposed referendum provision in H. R. 6000 for the following reasons:

1. The information needed by the voters in a referendum is technical in many respects and most persons eligible for voting would not understand sufficiently to make a wise vote. Persons advocating the extension of social security to public employees have greater facilities for propaganda than do retirement systems and education associations, and such propaganda is often misleading.

2. A two-thirds favorable referendum vote of those voting is sufficient to place the group under social security; yet, a small proportion of the persons in the group might vote and the compact might result without having the sanction of a majority of the persons concerned.

3. Persons in positions covered by State or local retirement and pension plans and beneficiaries over age 21 of such systems would be eligible for voting. In every State there are a few "foolish virgins" among public employees who have been eligible for membership in the retirement system but did not chose to join. These persons may push social security because of their own self-inflicted lack of old-age protection. They should not have the opportunity to sway a referendum when they are in the minority.

4. Teacher retirement benefits are much higher than social-security benefits (see table 11 in the December 1949 Research Bulletin). State and local governments cannot afford to support both the retirement plan and social-security benefits. If public employees who have a retirement system are placed under social security, the retirement system would be curtailed so that the combined plans would come within the financial ability of the state or local government. This is a practical certainty.

5. A compact may be terminated by the State or the Federal Government (after due notice) and public employes covered by it would then have lost their retirement equities and be out in the cold.

A proposed amendment would change section 106 of H. R. 6000 as follows:

Strike out section 218 (d) (1) beginning with line 10, page 82, to and including line 17, page 83, and substitute therefor the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

Miss BORCHARDT. I would like to answer briefly the points raised in the statement which has just been inserted in the record. First, reference is made to the fact that the matter is too technical for teachers to understand. Gentlemen, we trust teachers can read the printed page. We hope that if teachers as professionally trained, schooled persons read the printed page, and if they are not clear on its meaning, that they will consult an expert thereon, their own attorney, or another attorney in the community. And that then if they disapprove that they vote against the proposal.

Second, it is claimed that those avocating the extension of social security have greater facilities for propaganda than do those wanting to preserve the existing system. I do not think we can say that those who do not want change have been silent. I think your own mail answers that objection.

[1] Taken from information supplied by research division, National Education Association, August 14, 1949.

Finally the point is made in the statement that teachers who are not affected would now try to deprive others of the benefits thereof because they did not have them. We have offered an amendment which would separate the two groups, those are not covered and drawing benefits, and those who propose to be eligible therefor. And obviously, a person not covered would not vote.

Finally, we agree that there should be every precaution taken, as the statement suggests, to preserve all that's good in any existing system. We would require the State to maintain its plan, and we would require secret elections. We would require that the machinery be very, very carefully set up.

Third, it is claimed that States would scrap a State plan for a Federal plan which costs less. You gentlemen know far better than we that a compact between the Federal Government and the States may be discontinued at any time, as set forth by law and by agreement. You know also that a contract cannot be wiped aside on the decision of only one party to it. By the very language here presented to you, by an earlier opposition witness we know that the courts have held that where the pension is based on a valid contract that teachers are protected. We want that protection made tight, and we want also to have the benefits extended to those who are not protected by such a system. We want the benefits extended to make the teachers secure so that they may better serve the children and the Nation. It is that security, we know, you want, and which we trust we may find in the bill itself, when it is adopted. There is so much that is good in this bill, good in this whole section 218, for the thousands of teachers who need it desperately. We ask your support. Thank you.

The CHAIRMAN. Thank you very much.

I have no doubt that the Social Security Administrator could enter into a compact or, if you prefer the word, contract or agreement preserving the existing system. But I know of no way on earth by which you could bind the future political organization or entity, either a State or a county or a city or a district, to improve that system. And I think you need to improve the social-security system. I do not think it will improve rapidly enough to give adequate protection and care to these professional groups that do mean so much in our lives. That is my trouble, my serious trouble.

Miss BORCHARDT. And I share it. That's why we offer these amendments.

The CHAIRMAN. I think that it would mean that in the future these political entities, the States or counties or municipalities, would gradually withdraw. They would be obliged, undoubtedly, under any agreement, to maintain their benefits to those who had already become entitled to receive them or to those who were then earning them, but they would not in future be bound to carry it on, so you would come to your one system, I am afraid.

Miss BORCHARDT. Senator, may I ask this: In the first place, if there is a contractual relationship, no compact with the Federal Government could possibly remove the provisions of a State contract. Is not that true?

The CHAIRMAN. That is true as to the existing accrued rights or the rights that were being accrued. But it is equally true that you cannot bind a governmental entity, whether it be a municipality or some other governmental entity. Neither can it bind itself.

Miss BORCHARDT. Just as one Congress cannot bind another Congress.

The CHAIRMAN. That is right. You cannot bind it for the future. You have to trust in the law and do the best you can with respect to what may be done in the future in the States, counties, and municipalities.

Miss BORCHARDT. Is there any way of making sure that a State or other governmental subdivision will not do something to weaken or destroy present systems in the future with or without Federal legislation?

The CHAIRMAN. No; there is no way, because they might abandon their systems.

Miss BORCHARDT. In other words, it is a gamble either way as to what any State may do in the future for those not under a contractual system.

Senator KERR. In many of the States is it not the practice that the legislature of each session appropriates the State funds?

Miss BORCHARDT. I believe that holds true in one-third of the States. The substantive law is not even mandatory upon the Appropriations Committee.

The CHAIRMAN. Very few of them are operating on reserves, that is, adequate reserves.

Miss BORCHARDT. That's right, Senator. In other words, the fear is justified both ways.

The CHAIRMAN. That is quite true, but now the burden is on the States, and most of them have recognized it.

The very capable and energetic leadership of organizations, whether they be policemen, firemen, or teachers, have built up these systems. I cannot escape the thought that beyond the present vested rights in that system, there is no way to insure against the gradual abandonment by the States.

Miss BORCHARDT. We grant that, but there are two points that I would like to make. First of all, no Federal compact can impair a State contract, and second, there is no way to make sure that any State will maintain its present plan if it is not founded on a valid contract. We ask that the employees be allowed to vote in secret on whether they want to be included, and we ask that the Federal Government be enjoined from making any compact through which benefits be cut.

The CHAIRMAN. I agree with you. You have made many valuable suggestions about the language of H. R. 6000 so as to make it more definite.

Miss BORCHARDT. On the face of it, we do not think H. R. 6000 would remove anything. It would not put anyone under it against his will. But look at the benefits. Take as an example a teacher from Cedar Rapids, Iowa, where the pension is $60 a month, after a very high rate of contribution. It would mean a great deal there to receive, let us say, an average additional amount of $40 a month more. So too in Nebraska. It would mean practically the difference between dependence upon relatives and independence. And there are many other such States.

The CHAIRMAN. That is quite true. I was just looking to the future and realizing what States do and what municipalities frequently have to do when their tax dollars get tight. Down in my own State they had to abandon some of the pension systems and retirement systems.

for the simple reason that the taxpayers ceased to pay their taxes, and they ceased to pay taxes because they did not have the money. There were some years when we were not making money. I know that you have recalled them.

Miss BORCHARDT. Yes, sadly. What we are hoping for is a means of extending, the opportunity of extending coverage to all persons so that some benefits would come even when times are bad. But we do want all teachers to have the right to refuse to go under the system if they so vote.

The CHAIRMAN. We appreciate your viewpoint and your attitude. There is no question about the worthiness of your suggestions. You recognize the existence of the fear of many of those who anticipate that their systems would be overthrown, whereupon they would not have what they have now or as much as they have now. Thank you very much.

Miss BORCHARDT. Senator, may I also insert in the record some messages and some data from some of our locals?

The CHAIRMAN. Yes; you may do so. You may turn them over to the clerk of the committee or to the reporter.

Miss BORCHARDT. Thank you, Senator. A large number of locals have written in, in support of our organization's policy unanimously adopted at our last annual convention in Milwaukee. They favor H. R. 6000 but ask for clearer, stronger language in the bill, to assure those now covered by State and municipal pension systems that no Federal law will impair their present pension provisions. As an example of this reaffirmation of policy I would cite communications from:

Catherine Simonds, Toledo, Ohio.	Frank Beach, New Haven, Conn.
Mary Y. Ritchie, Wisconsin Rapids, Wis.	C. McLean, Rock Island, Ill.
Caroline Kriege, Sioux City, Iowa.	Willard Millsaps, Chattanooga, Tenn.
Mary R. Rocco, East Haven, Conn.	Anna Wilcox, Madison, Ill.
Floyd Straitiff, Pittsburgh, Pa.	Lewis Williams, Madison, Wis.
Milton Goldberg, Baltimore, Md.	Evelyn Taylor, Waukegan, Ill.
Francis Bolton, Longmont, Colo.	Irving Sims, Colorado Springs, Colo.

These represent 1 day's mail and are typical of the widespread approval of national action.

On the other hand, messages from John Savage of Great Falls, Mont., Arthur Anderson, St. Paul, Minn., Harriet Pease of New York, reflect the grave fear that teachers have that a Federal social-security law can impair their present State law. These people ask that no person now covered by State law be included.

Emphasizing the tragic need for Federal social security by many who are now covered by inadequate State laws we submit a part of a letter from Carrie Hult writing for the teachers of Lincoln, Nebr., after endorsing H. R. 6000 and the amendments I have presented to the committee; Miss Hult writes:

> Since retirement compensation is very low for Nebraska teachers (approximately $30 per month at the present) we are much interested in supplementary payments.

Sticking more closely even to the words of H. R. 6000, we have the detailed statement of Herrick Roth, a member of the Colorado Legislature and secretary of the Colorado Federation of Teachers. His communication sent to me was originally sent to his two Senators, Senator Edward Johnson and Senator Eugene Millikin.

It reads as follows:

Since the extension of social security to public employees (as proposed in H. R. 6000) is the subject of this letter, and since both you and Senator Edwin Johnson from Colorado are members of the Senate Finance Committee now considering that proposal, I am directing an identical letter to Senator Edwin C. Johnson.

We note in press releases of the last week that the director of the State Employees Retirement Association and members of the retirement board of the Denver Public School Employees Retirement Association (in addition to fire and police representatives) have been testifying in Washington before your Senate Finance Committee on the extension of social security to public employees under voluntary-type agreements. The effect of the newspaper reports is that each of the people concerned favored the exclusion of those public employees who now have their own local or State retirement systems. The weight accorded the testimony of those who have spoken before your committee in regard to the exclusion of public employees with retirement plans in Colorado is of serious concern to the many public employees in this State who have some knowledge of what H. R. 6000 does propose. In that interest, this letter is being written and it is urged that you make this communication a matter of record for the Senate Finance Committee or for the Senate, generally through your regular publications.

During the last month, I have met with groups of State, municipal, and school district employees of Colorado in several different areas of the State where employees are affiliated with the State of Colorado public employees retirement system. Here in Denver, we are intimately working with school employees who are members of their own contributory system. Saturday, I met with 40 some delegates of teacher locals in northern Colorado representing school districts and university employees embracing a membership of over 1,000 in the State of Colorado public employees retirement system. Saturday evening, I met with an equal number of employees who are part of the staff of various departments in the State office buildings in Denver. Probably in the last 5 weeks, I have met with and spoken to groups of employees who in turn represent a sampling of the members of the entire Denver Public Schools Retirement Association and upwards of 3,000 employees in the State of Colorado retirement system. I have not met with and I have not talked to any police or fire representatives and therefore this letter does not purport to present a point of view regarding the reactions of employees in that type of public service in this State.

On the basis of these meetings, we are particularly concerned with the testimony of Colorado Retirement Association officials before your Senate committee on the following bases:

1. Public employees generally do not know the facts about H. R. 6000. Specifically, the proposed section 218 is not being discussed in either direct or digested form with most of the public employees now in the retirement systems in this State.

2. Outside of the director of public welfare in Colorado, Earl Kouns (who has testified to your committee on this bill concerning other sections of the bill and not concerning the subject of this letter), I have yet to find an employee of the State of Colorado or of any school district in Colorado who is a member of the State of Colorado retirement system who has been asked what his opinion is about H. R. 6000. By the same reasoning, there was no general survey of feeling among school employees in the Denver public schools retirement system taken prior to the time that officials of both of those retirement systems testified before your committee. In other words, even though the testimony might have represented the accurate thinking of the individuals who testified—and perhaps even the boards of control of the two pension systems under discussion—the viewpoints were none-the-less unrepresentative of the thinking of the rank-and-file membership of either of the systems since their thinking had not been sought prior to the decisions made by the top officials in those systems.

To many of us as public employees, it sets a dangerous precedent to have officials in the retirement systems to which we contribute testify before your committees without making an effort to ascertain the real viewpoints of the members of their respective retirement systems. The principal reason that these officials could not ascertain the viewpoints was simply because rank-and-file employees in either of the systems have not for the most part been presented with the facts of what the proposal is and what the protections and

safeguards are in H. R. 6000 to those who now have retirement systems of their own.

We recognize that testimony should be weighed on its merits—but we feel that it is important that those of you considering the merits of the testimony of these pension officials from Colorado should recognize that they did not give a clear-cut picture of H. R. 6000 to the thousands of members in these two retirement systems and thus they did not request of these members on the basis of the facts a clear-cut expression of opinion concerning the stand that they, the pension officials, should take in regard to the proposed section 218 of H. R. 6000. This is a practice which we as public employees should generally condemn and want to make clear to you for the record.

In spite of the statements I am making to you, here, you will find that many teachers and other public employees in one of our retirement systems will be writing you urging that public employees so covered be excluded from H. R. 6000. Most of these letters will follow one of two patterns: (1) handwritten copies of form or model letters which have been distributed for just that purpose; or (2) personal letters from individuals who have been told through faculty or staff meetings that H. R. 6000 would endanger both the Denver and Colorado retirement systems. In both cases, probably less than one out of a hundred people have been presented a broad, well-rounded picture of what section 218 of H. R. 6000 really is. Many of them will be individual letters based on the assumption that if section 218 becomes law, immediately all teachers and public employees in Colorado will lose their existing retirement systems and will assume only the protection and benefits of the social-security old-age and survivors insurance program.

Specifically, the representative gathering of teachers in northern Colorado and the representative delegation of State House employees in Denver in their meetings on Saturday, February 11, requested that this communication be directed to you. There was one accord on these points:

1. For the most part, section 218 now provides adequate safeguards to public employees who are covered by some kind of retirement system of their own. However, it seems generally agreed by those who have studied the complete provisions of the section that it would be well to do the following:

(a) Provide in the written referendum that the ballots be secret and that the normal safeguards of privacy in voting be assured the voter.

(b) That in the referendum proposed, the term "voters" be defined to include everyone who is eligible to vote rather than those who actually do cast a ballot.

2. There is general agreement that no person now protected by an adequate retirement plan is going to vote himself out of a good plan.

3. Generally, public employees in Colorado like the idea of permitting a vote on specific modifications of existing systems where a combination of social security and existing retirement systems will provide the kind of public retirement security that public servants should receive. In this regard, teachers and State employees in Colorado do not favor the insertion of any amendment which would require that those who now have retirement systems could only vote for social security as a "supplement" to those systems. Again, those who have studied and understand the situation feel that the proposal as it now is prepared will make possible reasonable modifications of existing retirement systems along with social security to provide better benefits than are now available in many cases at a cost no higher than what the present contributory cost would be in most plans. Again, these same people feel that no one will ever vote for a proposed modified plan to accept social security in any referendum if the benefits for retirement are decreased in the proposed modification. If there is great insistence that the word "supplement" be used, we feel that it is important that the words "or modification" of existing pension systems to include full social-security participation be added. But generally, the proposals that now stand would seem to guarantee that possibility.

4. The people who are testifying against including public employees who are now covered by their own retirement systems almost always emphasize that the employees covered in those systems would much rather deal with their local political subdivisions of their State governments. H. R. 6000 as it now stands provides that they will have the opportunity, specifically, to deal with their State governments (and in turn with local political subdivisions if they are covered in local plans) to improve their retirement conditions. Actually, this argument is an argument for the proposal because in dealing with State and local political subdivisions, the public employees will give a much more critical look at the retirement systems in which they are members.

5. Most public employees are well aware of the fact that basic social-security benefits go with them from job to job. Although the movement of workers is not great in relative proportions between the several States, as public employees we recognize that a floor needs to be written under any kind of local or State retirement plan so that the worker receives at least a basic minimum protection if he leaves a particular job and moves into either another area of work or a different geographical or political area where his former retirement protection would cease. We believe that public employees are as able as any other occupational group to judge for themselves whether they would individually benefit their own local retirement systems by the extension of social security to them or whether it would be against their best interests to vote themselves into social security. Certainly, section 218 (d) (1) provides that protection (with the amendment suggested above concerning balloting and who the voter shall be) to any public employee now covered by a local or State retirement system. On that basis, we urge favorable consideration of the type of proposal made in section 218 of H. R. 6000.

These communications show our deep desire to extend social security and to preserve present systems.

We trust that a bill containing these provisions will be adopted.

The CHAIRMAN. Our next witness is Mrs. Dorothy Shanley Lewis.

STATMENT OF MRS. DOROTHY SHANLEY LEWIS, CONNECTICUT STATE TEACHERS' RETIREMENT BOARD

Mrs. LEWIS. Mr. Chairman and members of the committee, I am Dorothy M. M. Shanley Lewis, executive secretary of the Teachers' Retirement Board of Connecticut. I have been requested by the Connecticut Education Association and by teacher representatives of the Teachers' Retirement Association to appear before your committee as one of their spokesmen. The Connecticut Teachers' Retirement Board has authorized me to appear and to render whatever assistance I can to the 14,000 teachers in presenting their case to you.

The members of the Connecticut Teachers' Retirement Association numbering 14,000 would like to go on record as approving the point of view in the field of social security expressed to you in detail by Mr. John A. Wood III, of New Jersey, who appeared before you during the last week as chairman of the legislative committee of the National Council on Teachers' Retirement of the National Education Association. Particularly, the members wish to record their approval of the amendment to section 106 of H. R. 6000 as proposed by the Joint Committee of Public Employee Organizations which provides for the exclusion of public employees in positions already covered by a retirement system.

This action was taken following a serious study of the bill and in the light of accomplishments in the field of teacher retirement to date.

The first recorded account of the teacher-welfare movement, primitive though it was, began in 1869—until now, after remarkable progress, a State-wide retirement system is maintained in every State in the country. There is significance in the account of the beginning of teacher welfare in the efforts of a small group of teachers who collected funds for the burial of one of their own who had died destitute. Perhaps it is a far cry to the well-organized procedures of today—but an urge to provide the decencies of life, a recognition of the ultimate need, is today the soul of the teacher-retirement program. Ever-constant study and experience, together with the highest type of actuarial guidance, have been the means of developing in this country an adequate teachers' retirement set of basic principles for sound and lasting retirement security.

Approximately 1,000,000 teachers in the Nation are now members of retirement systems—14,000 of that number are in Connecticut and, because we have one of the oldest established retirement systems in this country, I ask that you reflect a moment with me.

The Connecticut law was enacted in 1917, patterned largely on the Massachusetts retirement law of 1914 which has the distinction of being the first scientifically constructed teachers' retirement system in this country.

According to law, membership in the retirement system was made compulsory for all new teachers who have entered the service for the first time since 1917. As a matter of fact, membership in the system was made a condition of employment.

Therefore, in 1917, young teachers for the first time heard their superintendent explain that the State of Connecticut had a retirement law which required them to submit to a 5-percent retirement salary deduction for their old age; that, after 35 years of teaching, they could retire voluntarily, but that they would be expected to retire at age 70.

Beginning September 1917 the first retirement deductions from the salaries of these teachers were received in the State retirement office. They have continued now for 33 years. With the passing of time, these and others teachers who have since entered Connecticut teaching have come to recognize the foresight of those who established a system based on sound principles—after all, any other system would be a contradiction of the term. They realized the system had operated successfully during all these years, that older teachers had retired on an allowance, therefore they, too, could depend on their retirement system when planning for their old age. The progress of yesterday was the assurance of today. Their economic planning first took into account the amount of the retirement allowance to which they would be entitled, and all other provisions were based on this amount.

The retirement system has made an indelible impression on the economic life of every teacher in Connecticut.

The situation is serious. It involves the present and future economic status of many, many individuals.

To us, the threat of social-security expansion has ever so much more significance than was expressed by a spokesman of the Social Security Administration in an address not long ago when referring to the case of social-security coverage of public employees he stated that they were "finding it is all to true that you can't please all of the people all of the time."

It is paradoxical that representatives of millions of public employees should come before you saying, in effect, "No, thank you, we do not wish to be included in this planning for us." We know that suggestions for the superimposing of local and State retirement benefits on those of social security are impractical and are fraught with danger because it is the general taxpayer who is affected. That idea is comparatively easier of accomplishment when a private enterprise voluntarily makes such a decision for its employees because they have more than one financial factor involved, such as profits, income-tax considerations, increased productivity, prices to consumers, et cetera. But the taxpayer has just one source from which to draw, and we believe he has had to reach too far, too many times, into his pocket in order to extract the cost.

Under such conditions, it is utterly impossible to contemplate social security objectively or, as a kind of substitute, no matter how well-meaning the proponents of the bill have been.

We are not so much concerned in what social security will do for us, but rather in what social security will do to us.

The objectives of public-employee-retirement plans are different from those of social security, and rightly so, but the social-security formula, of necessity, is rather inflexible; while the public-employee formula is flexible, and can be adapted to the needs and requirements of a particular group. Teacher-retirement systems were set up, in the first place, to accommodate a single occupation which is highly selective in its personnel, but flexibility is possible for the varying needs and conditions of education. The survivorship benefits of social security do not have general appeal for members of the teaching profession where approximately 80 percent are women.

These and many other objections to the proposal could be mentioned in detail but, since you have heard them already, there is no need for repetition.

We pray for the adoption of the proposed amendment to H. R. 6000.

The CHAIRMAN. Thank you very much for your appearance.

We have as our next witness Miss Fennessey Canty.

STATEMENT OF MISS FENNESSEY CANTY, CONNECTICUT EDUCATION ASSOCIATION, HARTFORD, CONN.

Miss CANTY. Mr. Chairman and members of the committee, I am Fennessey Canty, immediate past president of the Connecticut Education Association and appointed by the board of directors of that organization to represent the membership at this hearing. I am a teacher in the Wilby High School of Waterbury, Conn.

First of all I would like to make it clear that we teachers in Connecticut realize the merits of H. R. 6000 in that it provides social-security coverage for many who do not now have such coverage. That is much to be desired. But we teachers in Connecticut have a good retirement system, and we do not want to be included in the bill. Hence we are asking for an amendment by which we will be excluded from its provisions.

As Ms. Lewis has told you, our retirement system was established in 1917. It was liberalized in 1943, and it now provides that a teacher may, after 35 years of service, retire and receive a retirement allowance which will be equal to 55 percent of her average salary for the 5 years preceding her retirement. Under social security teachers would not be eligible for benefits until age 65, and, of course, the benefits will not be so good as they are under our system.

Senator KERR. What is the average salary of teachers in Connecticut?

Miss CANTY. Senator, in the high schools it runs from $3,500 to $4,000 as a maximum. There are a few places in Connecticut where the maximum is higher than that. About $4,500 is the top salary for a bachelor's degree.

Senator KERR. What would you say was the average pay of the common school teacher, including grade-school and high-school teachers?

Miss CANTY. That would run around $3,500, so that 55 percent brings them up to roughly $2,000.

Senator KERR. What percentage of contributions is made?

Miss CANTY. Five percent.

Senator KERR. Is that matched by the State and the district?

Miss CANTY. That is matched by the State and the State now puts up more than that. It puts up whatever is necessary to insure that the pensioner shall have a specific amount such as 55 percent after 35 years of service or 40 percent after 20 years of service. One may retire after 20 years.

Senator KERR. Are the contributions developed into a reserve?

Miss CANTY. The amount becomes a reserve, Senator, when the teacher is retired. Then the State appropriates a sufficient amount of money, which amount is set aside for the normal expectancy of that teacher's life so that she or he is assured of that amount of payment. It is not a reserve system in the true sense of the word, that is, that the State constantly reserves an amount for that particular teacher. But the reserve is made upon the retirement of the teacher.

Senator KERR. Thank you.

Miss CANTY. Of course, we have realized that teachers' salaries have been low, too low. There has been improvement; there is room for more. Therefore, it can be understood that teachers would not be in a position financially to prepare for their retirement after 35 years of teaching unless there was a substantial retirement benefit from their existing retirement system.

We differ from many workers for whom the social-security retirementa go may be satisfactory. Our work is with young people, children who, chronologically speaking, are just as young today as they were the day we first stepped into our classrooms. Sometimes we have to think about that. Just as individual States are in a better position to recognize the problems and requirements of different groups of workers in various fields, so Connecticut has recognized the desirability of keeping before school children an able and alert group of men and women teachers. And so it is providing a retirement system by which teachers may be induced to retire before superannuation overtakes them. Social security, on the other hand, provides benefits only when superannuation may be said to have arrived.

Of course, we recognize that there are individual differences in teachers. Some of them at age 65 or thereabouts are remarkably able and alert, physically and mentally. But in view of the present-day requirements of teaching and the ever-increasing demands that are being made upon teachers due to changing home conditions largely, we are of the opinion that not many teachers will be able to supply right up to age 65 or later the necessary nervous energy which teaching consumes. So it is now considered good educational practice and procedure to try to induce teachers to retire before they break under the strain of their work which is more difficult than many people realize.

I would like to point out that many teachers in Connecticut who are counting on our retirement system have taught through two world wars and all that that implies. They have stood by the profession down through the years, and I can truthfully tell you that this pension allowance has been a beacon light which has sustained their morale in difficult times.

From those already pensioned I should like to say that I have received some pathetically anxious letters, letters whose writers seek assurance that their pension allowances will in no way be diminished by H. R. 6000.

We feel that H. R. 6000, as it is now worded, does not protect the pension rights of our teachers because those sections which seek to do that are rather vague, in our judgment. For example, with regard to the referendum, there is no clear provision that teachers could vote as a separate unit. Furthermore, there is a provision that two-thirds of those voting would determine the decision; whereas we feel that at least two-thirds of those affected ought to make the decision in a matter as vital as this.

Assuming that an agreement were entered into, we find that there is no provision which would take care of the assessments already paid in, and no provision which would insure that those that are retired would receive what they are now getting. There is no provision either for the teachers who would not be 65 years of age but who could retire under a State system at a lesser age. What would happen to them?

The bill is so loosely worded that matters of interpretation and implementation would be left to the discretion of the Federal Social Security Administrator.

In view of all this, we respectfully ask and earnestly hope that your committee will make such an amendment as is necessary to exclude us from the bill. We leave it to your judgment just how that amendment will be worded, but we are supporting an amendment which has been submitted to you. In all fairness, we feel that we ought to be allowed to have the benefits of a system which we worked so hard to have established and which we have maintained down through the years. We do not want social security.

The CHAIRMAN. Thank you very much for your statement.

Miss CANTY. Mr. Chairman, may I express, on behalf of those whom I represent, our appreciation for the privilege of being here at this hearing.

The CHAIRMAN. We are very glad to have your contribution.

Our next witness is Mr. Milson C. Raver.

STATEMENT OF MILSON C. RAVER, EXECUTIVE SECRETARY, MARYLAND STATE TEACHERS' ASSOCIATION

Mr. RAVER. Mr. Chairman and members of the committee, I am Milson C. Raver, executive secretary of the Maryland State Teachers' Association. I am appearing before your committee on behalf of our members at the direction of the executive and legislative committees of the association. I have also been requested to speak for the Maryland Educational Association, an organization of the Negro teachers of the State. The combined membership of these organizations represents approximately 90 percent of the teachers of Maryland. A letter is attached to this statement certifying that this group concurs in the statement which I am about to make. There also is attached a letter authorizing me to speak for the Maryland Classified Employees Association, representing a majority of the State employees in Maryland. I, therefore, am appearing before the Finance Committee on behalf of a large majority of the 18,000 public employees in Maryland.

Senator KERR. That is other than the teachers?

Mr. RAVER. Including the teachers, sir. There are 10,500 teachers and approximately 7,500 public employees.

The teachers and public employees whom I represent are opposed to the voluntary coverage offered them in section 106 of the Social Security Act, H. R. 6000. They are, for the specific reasons given below, opposed to coverage by referendum as provided in section 218 of section 106 of the act. They are unalterably opposed to the extension of social security to public employees now covered by pension or retirement plans because they fear such coverage will result in supplanting the State systems by the less desirable, Federal pension plan.

The city employees retirement system of Baltimore, the Maryland State employees retirement system, and the Maryland State teachers retirement system provide retirement through joint-contributory reserve systems for all persons employed by the State, the counties, and all local municipalities. The General Assembly of Maryland passed, in 1945, permissive legislation allowing groups not previously covered—such as school janitors, bus drivers, municipal clerks, policemen, and firemen—to enter the systems whenever the local or municipal employer agrees to pay what would otherwise be the State's contribution for State employees. County and local municipalities throughout the State are taking advantage rapidly of this permissive legislation.

Of the 10,500 teachers in Maryland less than 1 percent are not covered by the retirement systems. These few, having made plans of their own for their old age, declined to enter the systems at their inception in 1926 and 1927.

A comparison of benefits from H. R. 6000 with those of the Maryland State teachers' retirement system clearly reveals the more desirable nature of the latter. For the sake of comparison, four hypothetical cases are described. The benefits under H. R. 6000 were calculated by actuaries of the Social Security Administration. Those under the Maryland retirement system were checked with its director.

The first hypothetical case involves a single woman who began teaching at age 22 at a salary of $2,400 a year. It is assumed that she advanced by $100 a year until she reached $4,800, where she remained until retirement at age 65. This is typical of at least 50 percent of all the fully certified teachers in this State.

You will note that for the 43-year period she would receive $995 under H. R. 6000 but $2,949 under the Maryland retirement system.

The second example assumes a single man who began teaching at age 25 at a salary of $3,000 a year. It is assumed that he advanced by $150 a year until he reached $6,000, where he remained until retirement at age 65. This case is typical of a fully certified principal of a larger Maryland school.

You will note that for 40 years under social security he would receive $992 annually, but $3,429 under the Maryland State teachers system.

The third case assumes a single woman who began teaching at age 20 at a salary of $1,500 a year. It is assumed also that she advanced by $50 a year for each of the first 5 years and by $100 a year for each of the next 5 years. It is assumed that she remained at $2,000 for

3 years and then became permanently disabled. This situation is typical of a teacher who began in Maryland prior to 1945.

Under social security she would receive $714 annually, but $555 under the Maryland retirement system, according to a minimum guaranty whereby she may not get less than 25 percent of her salary or more than 90 percent of what she would receive under normal retirement.

In the fourth case a man began teaching at age 24 at a salary of $2,000 a year. He married at age 28, and his wife is 5 years younger than he is. It is assumed that his salary was increased by $100 a year for the first 10 years and by $150 a year for 5 years. He then died, survived by his wife and two children under age 16. This might have been a principal who began teaching in a small, rural school prior to 1945.

The lump sum payment in this case would amount to $191 from social security, but would amount to $1,479 under the Maryland retirement system. I might explain that that large amount represents one-half of his average salary over the last 10 year period plus all of his own contributions and accumulated interest that he had paid into the system. Further comparison would show that, of course, the survivors' benefits under social security would amount to $1,532 as long as the two children were under 18 years of age. Of course, as they mature the amount would fall off until the last child became 18, when all payments to the widow would stop until she became age 65, whereupon she would get $575 annually for the remainder of her life. Our retirement system provides no benefits of this sort. But by comparison I have checked with some of our larger insurance companies and have found that at age 35 she could have used that $1,479 to purchase a paid up single premium policy which would pay her, beginning at age 65, $53.37 a month until her death, or she could use the money—this is a very flexible arrangement—to pay off a mortgage or educate the children rather than for an annuity, if she so desired.

Now, in case No. 1 which I have just cited the pension of $995 annually under social security represents 24.2 percent of the average yearly income of $4,102, while the pension under the Maryland retirement system represents 71.9 percent of that average salary. You will recall that that was the case where the individual had 43 years of actual teaching experience.

In the second case, where the average salary was $5,230, the pension payment under social security in the amount of $962 represents 19.1 percent of the annual salary, while the payment of $3,429 annually under the Maryland retirement system represented 65.6 percent of the average salary. You will recall that there the individual had 40 years of service. In case No. 3 the average salary was $2,220. In that example the annual pension under social security was $714 or 32.1 percent of the average salary, while the payment under the Maryland retirement system was $555, or 25 percent of the average annual salary.

In case No. 4 the average salary was $2,797 up to the time of death. The lump-sum payment under social security of $191 represents 6.8 percent of that average salary, while the payment under the Maryland retirement system represents 160.1 percent of the average salary. Of course, there is no means of calculating total payments under survivors' benefits.

The salary base for the calculation of benefits is, of course, under H. R. 6000 based on $3,600 a year and in accordance with the provisions with which you are familiar. On the other hand, the formula under the Maryland retirement system is the average of the 10 highest consecutive years. The approximate formula is the number of years of service divided by the actuarial figure of 70 multiplied by the average salary base.

In comparing the contribution of employees, under the social-security system at present the contribution by employees is 1½ percent, while under the Maryland retirement system the range is from 4 to 5 percent based upon the age and sex of the teacher. The future estimated percentages under social security are 3¼ percent as against 4 to 5 percent under the Maryland retirement system.

The contribution of employers under social security at present is 1½ percent as against 6.86 percent under the Maryland retirement system. As has previously been brought out here, that is due to the fact that ours is a fully reserve system and the various contributions build up to that reserve.

Senator KERR. Under your reserve system, does the State make its contributions annually by contract or by legislative enactment?

Mr. RAVER. By contract, sir.

Senator KERR. That is a contract entered into between the teacher and whom?

Mr. RAVER. The State of Maryland. In addition to that, our Maryland State Constitution provides that any statute on the books providing funds by contract must be met by the Governor and the general assembly in the annual budget unless that law is removed. In addition, these contracts in Maryland have been tested through our court of appeals and our supreme court as a contractual obligation for all of those people in the system.

The future contribution of employers under social security is to be 3¼ percent as against 4 to 5 percent under the Maryland retirement system. In other words, when the reserve becomes built up the State will just match the future payments by each employee.

The cost of administering the systems on a total collection basis for 1950, as I gather from the reported testimony here, is 2.6 percent under the social-security system as against 1.03 percent under the Maryland system.

The cost of administering the system on the basis of benefits paid for the past year, 1949, under the social-security system amounts to 8.8 percent, but only 3.24 percent under the Maryland system.

The optional retirement age is 65 years under the social-security system, while it is 60 years or after 30 years of service under the Maryland retirement system.

With reference to the type of insurance plan, under H. R. 6000, there is provision for the payment of specific benefits from annual estimated costs, while under the Maryland retirement system there is an actuarially sound, joint-contributory reserve system.

In connection with optional benefits, under H. R. 6000, there are none except secondary benefits for survivors, as against four distinct options under the Maryland system. Those are a maximum life annuity with all payments ceasing at death; (2) a life annuity with the balance paid to any named beneficiary; (3) a life annuity to the insured with a secondary annuity for any named beneficiary; and

(4) any plan approved by the actuary that is equivalent to the joint contributions plus interest.

The minimum primary benefits under social security are $25 a month, while under the Maryland system there are none. There the retirement pay is dependent on years of service, salary, and contributions.

The maximum primary benefits under social security amount to $150 per month per family but not more than 80 percent of the average monthly wage. There is no such maximum under the Maryland system. It depends only upon the total retirement allotment and the option chosen.

With regard to security, the system under H. R. 6000 is subject to annual action of Congress dependent upon political implications of vested rights versus a restricted Federal income. Under the Maryland retirement system, there is a contractual obligation of the State already tested in the courts and based on a reserve set aside to guarantee benefits.

Several very real dangers to the existing State and local retirement systems will be present if H. R. 6000 is passed with the provision for voluntary coverage by referendum.

It has been suggested that public employees might have both, but, as pointed out above, the Maryland systems are reserve plans based entirely on an actuarial calculation in the purchase of paid-up insurance. Administration of the plans is under the jurisdiction of the insurance commission of the State, as bound and directed by Commonwealth law and under the supervision of a qualified actuary. By contrast, old-age and survivors insurance is not based on reserves actuarily calculated but upon the annual estimate of moneys required to pay for certain specific assistance privileges. It is difficult, if not impossible, to conceive of the former system being superimposed upon or coordinated with the latter plan, since one is closely controlled by State insurance regulations and represents a tested contractual obligation of the State, and the other is not.

The State of Maryland has contracted to and is contributing annually almost $5,000,000—$4,985,355 budgeted for the year 1950, for 18,000 persons—to the retirement systems of public employees and teachers, a total pay-roll contribution of approximately 7 percent. It is extremely unlikely that this sum could be increased by a further contribution of 1½ percent, or 3¼ percent by 1970. A State contribution of 8 to 10 percent of total pay roll is inconceivable in order to provide dual benefits to all public employees.

Furthermore, public employees and teachers cannot afford a further reduction in their net, take-home pay at the present cost-of-living and tax-burden levels. As has been brought out in earlier discussion by members of this committee, there is little or no relationship between contributions made to OASI and future, expected—but not guaranteed—benefits. Under these conditions, it cannot be argued that such contributions are delayed income. I also wish to call your attention to revisions made by the Congress to the social-security law from 1939 through 1947. In addition to freezing the contributions of employee and employer at 1 percent each, until January 1, 1950, the benefits were revised. Although the past changes favored the employee, future changes might just as well be expected in the opposite direction. The relationship is, then, only that of a pay-roll tax.

Safeguards intended in the resort to a referendum for voluntary compacts with the State are not present. Representative Doughton, in Report No. 1300, which accompanied H. R. 6000 in the House, said:

> The provision for a referendum is included so as to assure those covered by adequate existing systems (such as firemen, policemen, and teachers) that adequate safeguards are present so that their present pension plans will not be destroyed (p. 11).

What safeguards are present in this provision to prevent the several States from choosing OASI for all future employees? If I may interpolate there, Senator George, you referred to that today. To the contrary, a very real danger, to the contractual rights of the members of the existing State and local systems is implied in section 106 of the act, lines 20 to 25, page 82:

> (3) an opportunity to vote in such referendum was given * * * to the individuals who on such date were 21 years of age or older and were receiving periodic payments under such retirement system.

Since these beneficiaries could not longer qualify for any comparable benefit under OASI, why allow them to vote unless it is assumed that their contractual obligations are involved.

Apart from the implications expressed above, there are several other reasons why we believe provision for a referendum is dangerous. The requirement of a two-thirds majority vote does not protect the rights of the remaining one-third who vote against the voluntary compact. Insofar as this phase of the act is concerned, the requirement might just as well have been a 99 percent majority vote. The fifth amendment to the Federal Constitution protects the right of contractual obligation to every citizen, not just to a two-thirds majority who may or may not vote to abandon their vested interest in a compact with the State. I use the word "abandon," advisedly since, for the reasons given above, we cannot expect to have both.

We also believe that the autonomy of the State of Maryland would be impaired by having its employees and officials look to the Federal Government for their retirement allowance in exchange for a pay-roll tax or deduction of salary. To make State employees dependent upon the Federal Government would render them at least partially subservient to this body rather than wholly to their employer, the State of Maryland. Of course, this argument does not hold in States where no pension or retirement has been provided by the State or local government. Since, if the employer has failed to set up such security, which should be closely tied to the employees' compensation, the worker should have recourse to Federal social security. For this reason, we are not asking for exclusion of such employees not now covered by pension or retirement plans.

Teachers in Maryland and elsewhere in the Nation have already been subjected to propaganda pressure from agents of the Social Security Administration. I would like your permission, Mr. Chairman and members of the committee, to submit with this statement a sworn affidavit illustrating how this propaganda was inflicted on one Maryland school under the guise of explaining the social-security program to its pupils. I wish, also, to attach a letter from the executive secretary of the Oklahoma Education Association describing the promotion of OASI for the benefit of teachers in that State. I understand that previous testimony by Mr. John A. Wood III, represent-

ing the National Council on Teacher Retirement, has been given concerning this incident.

I also have one other affidavit concerning Mr. Wood's, testimony which I would like to insert, if I may, concerning the model bill which I understand the Council of State Governments has prepared for this permissive legislation. That affidavit shows that such a bill has been prepared with the help of the social-security agency and has been submitted to the various States.

The CHAIRMAN. The letters you have referred to in your statement will be included in the record at this point.

(The letters referred to are as follows:)

MARYLAND EDUCATIONAL ASSOCIATION,
Chestertown, Md., February 11, 1950.

Mr. MILSON C. RAVER,
Executive Secretary, MSTA, Baltimore, Md.

DEAR MR. RAVER: Our association which represents over 90 percent of the Negro teachers in the State, took action at its executive and advisory council meeting that you represent them at the hearing before the Senate Finance Committee relative to extension of social security to all public employees.

The association went on record to oppose section 106 of the current bill before the committee, H. R. 6000. The association endorses the amendment being proposed by you to exclude all public employees in positions covered by a retirement system as defined in subsection (B) (4) of section 106.

We are indebted to you for rendering us this service and making it possible for our wishes to be made known to the committee.

With best wishes and kindest regards, we are,

Sincerely yours,

ELMER T. HAWKINS, *President.*

MARYLAND CLASSIFIED EMPLOYEES ASSOCIATION, INC.,
Baltimore, Md., January 17, 1950.

Mr. MILSON RAVER,
Maryland State Teachers Association, Baltimore, Md.

DEAR MR. RAVER: It is the understanding of this association that you will appear before the Senate Finance Committee in the near future to oppose section 106 of H. R. 6000. This action on your part is being taken as the representative of the State teachers of Maryland.

Recently, the executive committee of the Maryland Classified Employees Association unanimously approved a resolution opposing section 106 of H. R. 6000, on behalf of approximately 4,600 merit-system employees, who are members of this association.

These employees of the State of Maryland believe that the present State employees retirement system is adequate for their retirement and pension purposes, and that superimposing social-security coverage on their present retirement coverage would have an adverse effect on the latter, by adding substantially to the present cost of an adequate system, and eventually make the combined cost prohibitive.

For these reasons, this association requests that you state the opposition of its members to section 106 of H. R. 6000 at the time of your appearance before the Senate Finance Committee. This letter will so authorize you to speak in behalf of the members of our organization.

Thank you for your very real assistance in this matter.

Sincerely yours,

BERT S. MONTELL, *Executive Director.*

MANCHESTER HIGH SCHOOL,
Manchester, Md., February 2, 1950.

Mr. MILSON RAVER,
Secretary, Maryland State Teachers' Association, Baltimore, Md.

DEAR SIR: This is to advise you that last year while principal of the Hampstead High School of Hampstead, Md., I accepted the offer of the manager of the

social-security office in Hagerstown to speak to one of our classes in connection with their study of the subject.

I visited the class when addressed by the manager because I was curious to know why he was anxious to speak to high-school classes who could not be covered by the social-security system. During the course of his talk it became rather evident to me and to the teacher in charge that he was propagandizing for the extension of the social-security system. Statements such as the following were made. That all teachers will be brought into the social-security system next year. That all farmers will be brought into the social-security system next year. That social security will eventually cover all working people because they have proved that they are incapable of providing for their own retirement.

The teacher in charge of the class and myself accused the speaker of preaching social security for the purpose of increasing the size of his department; this he denied, but admitted that it would be to his advantage if the department were increased in size.

I feel that you as secretary to our association should know about this and that we as teachers should be alerted to the fact that we may be propagandized into something that we do not want.

Very truly yours,

FRED L. ENGLE, *Principal.*

Subscribed and sworn to before me this 1st day of February 1950.

[SEAL] DORIS S. DELL, *Notary Public.*

My commission expires May 7, 1951.

OKLAHOMA EDUCATION ASSOCIATION,
Oklahoma City, February 7, 1950.

Mr. MILSON C. RAVER,
Executive Secretary,
Maryland State Teachers' Association, Inc, Baltimore, Md.

DEAR MILSON: This will acknowledge receipt of your letter of February 2, in which you make inquiry concerning some activities of the Social Security Administration and the securing of a booth at our State convention. Quite frankly, I did not know anything about the booth business until it was called to my attention by Mr. Black shortly after the meeting of the last State convention.

I found out that a day or two before the convention, which was held October 12, 13, and 14, 1949, Mr. Meek, assistant manager of the Oklahoma field region 8, whose headquarters seems to be in Dallas, came by and asked for a complimentary booth at our State convention. It has been customary for several years to furnish complimentary booths for such organizations as the Red Cross, PTA, Gideons, Girl Scouts, etc. Mr. Howell, the assistant secretary in the office, talked with Mr. Meek and told him that if a surplus booth was available that he could have it without cost. The day before the convention Mr. Meek or his representative contacted the lady who is actually in charge of the exhibit section of the convention and again requested the booth, and since she had had a cancellation, and since she had had information from Mr. Howell that he thought it was all right, she let them use it.

I agree with you that the issue is important to the teachers of America. I don't know that the information given above is of any value to you. If it is and you will wire me, I will compile the facts as outlined above and have them notarized for your use in Washington next Monday.

As I have said, I know very little about this particular activity until it was called to my attention. Please feel free to command us if we can be of any assistance to you in the presentation of this program.

Cordially yours,

FERMAN PHILLIPS, *Executive Secretary.*

To Whom It May Concern:

The undersigned was in attendance at the social-security hearings before the Finance Committee of the United States Senate on February 8, 1950, when John A. Wood III, a witness, made the following statement:

"The legislatures of two States, Oklahoma and Arkansas, possibly others, have been persuaded to adopt laws which have been admittedly prepared by the staff

of the Social Security Board as model bills which would enable these States and their municipalities to enter into compacts with the Social Security Administration for the coverage of their public employees under the old-age and survivorship insurance provisions of the Social Security Act."

At this point in Mr. Wood's testimony he digressed to ask that the word "admittedly" (second line in the above quotation) be changed to "reported as having been" since he had not been able to elicit an admission.

The undersigned understood Senator Kerr to tell Mr. Wood that the Governor of Oklahoma had told him that the bill passed in Oklahoma had not been obtained from the Social Security Board.

The undersigned took the responsibility of investigation and discovered the following facts:

1. The Oklahoma enabling act (S. B. 126), passed by the 1949 legislature, is identical with the model bill distributed by the Council of State Governments, copy of which may be obtained from the Washington office of the council, 1737 K Street NW.

2. Members of the staff of the Washington office of the Council of State Governments informed the undersigned, upon personal interview at 1:55 p. m., February 9, 1950, that the council had prepared a model bill to enable the States to implement social-security compacts to cover public employees undr old-age and survivors insurance; that this model bill had not been included in the booklet of recommended legislation distributed to State governments last year because it was premature since Congress had not yet acted to amend the Federal law so as to make State action possible; but that the model bill was available to those interested and was sent to some State governments.

3. Upon questioning as to the persons responsible for drafting this model bill, the undersigned was told by Staff members of the Washington office of the Council of State Governments that the legislative drafting staff of the council is composed of legislators (or legislative representatives) from the various States and representatives of the Federal Security Agency. Specific mention was made of the assistance of Wilbur Cohen and his staff. The bill was originally reproduced in the social-security office and copies sent to the Council of State Governments for distribution. The further information was given that all model legislation recommended by the Council of State Governments is drafted by representatives of the various States and representatives of the Federal department particularly concerned.

4. Mr. Charles Allen, executive director of the Teacher Retirement System of Arkansas, informed the undersigned that the model bill from the Council of State Governments had been proposed in his State but before introduction into the legislature had been submitted to him for his opinion. Seeing in the model bill the threat to public retirement systems, Mr. Allen suggested changing the council's bill in such a way as to simplify it generally and particulary to excude public employees who were members of existing retirement systems in the State. Act No. 305 (Arkansas Laws, 1949) is, therefore, an outgrowth of the original model bill designed to enable State acceptance of social security.

I, Madaline Kinter Remmlein, assistant director, research division, National Education Association, 1201 Sixteenth Street NW, Washington, D. C., do hereby declare that the above is a true and accurate report on the subject in question.

MADALINE KINTER REMMLEIN.

Subscribed and sworn to before me this 10th day of February 1950.

[SEAL] MARGARET E. LANE, *Notary.*

My commission expires May 1, 1954.

Mr. RAVER. The public employees and teachers of Maryland believe that cradle-to-the-grave security for every American citizen—apart from his ability or willingness to produce—is an unjustified social experiment. They believe that their own splendid, actuarially conceived retirement systems must be justified primarily on the basis of an investment by the State to keep the experienced, qualified worker on the job to produce in the interests of those who are paying the bill. Likewise, they believe that there is little justification for providing either social security or local retirement for the floaters, the disgruntled, or the professionally nonqualified workers.

Another reason why Maryland public employees and teachers want no part of OASI, as outlined in H. R. 6000, is due to the fact that the insurance program is tied so closely to the public-assistance program. Nowhere is any contractual obligation defined for the employee. For example, I have been unable to find anywhere in Dr. Altmeyer's testimony before this committee a clear-cut exposition of the cost of the insurance plan to the Federal Government. In every instance, I believe, he lumps the cost of both programs except to say that the OASI should be self-sustaining by 1970 when—and if—employer and employee contributions are allowed to rise to 3¼ percent each.

No Maryland teacher will want to risk having his savings invested in a large financial morgue of which the chief administrator admits that 39 million out of 80 million accounts are not currently active and that he doesn't even know the whereabouts of the covered employees in the 39-million group. By comparison, the weakest teacher-retirement system in the country represents a well-defined pattern of security.

There is, therefore, no doubt among the public employees whom I represent today that they prefer our local retirement systems to a Federal plan of social security as proposed in H. R. 6000. This assurance is based on the great privileges the former offer, their sounder structure, and the fact that they represent guaranteed obligations on the part of the State of Maryland.

By contrast, no guaranteed protection of the State and local systems is given in the proposed act, and any conceivable combination of the two systems is bound to weaken the stronger by dilution. In addition, testimony has already been presented which indicates that public employees could neither expect nor afford to enjoy the benefits of both systems. We are therefore convinced that such a compact, based on a referendum, in addition to being unsound, would lead eventually to an unfortunate choice between the State or local retirement systems and old-age and survivors' insurance.

Nothing could be more damaging to public employee and teacher morale than to render uncertain the status of the retirement systems which they now enjoy. Both groups stood by their jobs, in areas where they were members of sound retirement systems, in the face of wartime industrial opportunities offering, by comparison, fabulous salaries.

A critical shortage of qualified teachers exists today due to the low salaries and otherwise unglamorous classroom or working conditions that prevail. To raise any question as to the future security of their retirement systems, even in their own minds, would be to open the only floodgates which have kept our teachers at their desks in spite of brighter business and industrial offers of employment. If continuing to teach is to mean a prospective State legislative battle over the retention of their estate in the local retirement systems, many teachers would not make this final sacrifice to render service in the classroom.

At the instruction of the public employees and teachers of Maryland whom I represent, I respectfully urge the members of the Senate Finance Committee to amend section 106 of the act H. R. 6000 as follows:

Strike out section 218 (d) (1), beginning with line 10, page 82, to and including line 17, page 83, and substitute therefor the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

We join with public employees and teachers and the representatives of their retirement systems throughout the Nation in seeking the adoption of this amendment.

If I may add one thing further, Mr. Chairman, I have with this also a letter by way of explanation from Dr. Willard Givens, executive secretary of the National Education Association. It is the final attached page of the statement.

I should like to say that you have heard testimony by groups representing State groups, national groups, particularly the National Council on Teacher Retirement, as to which I happen to be a member of the executive committee. And to tie these together, Dr. Givens has asked that a letter be inserted, which, if I may present, I should like to add to it.

The CHAIRMAN. Yes, sir. You may do so.

Mr. RAVER. This is addressed to the committee:

NATIONAL EDUCATION ASSOCIATION OF THE UNITED STATES,
Washington 6, D. C., February 10, 1950.

SENATE FINANCE COMMITTEE,
Senate of United States, Washington, D. C.

GENTLEMEN: As executive secretary of the National Education Association, I should appreciate the acceptance and filing of this letter in the official record of the social-security hearings of the committee.

The National Education Association is the largest and most representative teacher association in the United States, with a membership of nearly 450,000 public-school teachers and administrators in all 48 States, the District of Columbia, and outlying Territories. It has a subsidiary unit which deals with problems of teacher retirement. This unit is called the National Council on Teacher Retirement. John A. Wood III appeared before you on February 8 as a witness on behalf of the National Council on Teacher Retirement of the National Education Association. Individual teachers have testified for their local groups affiliated with the National Education Association; State secretaries have or will testify for their State education associations, also affiliated with National Education Association; and several retirement administrators have testified for their State or local retirement systems affiliated with the REA's National Council on Teacher Retirement.

The public-school teachers of the country have placed their views before this committee. The parent organization—the National Education Association of the United States—concurs in the testimony which its affiliated groups have submitted.

Cordially yours,

WILLARD E. GIVENS,
Executive Secretary.

Thank you very much, sir.

The CHAIRMAN. Thank you very much for your appearance.

The committee will recess until Monday next at 10 o'clock.

During the remainder of the week there will be no public hearings.

(The following letters, telegrams, and statements were submitted for the record:)

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, January 13, 1950.

Hon. WALTER F. GEORGE,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: This refers to H. R. 6000, a bill to amend the Social Security Act, which was passed by the House at the last session of Congress and has been referred to your committee.

The purpose of this letter is to recommend that H. R. 6000 be amended so that the employees of this Board who are members of the Federal Reserve retirement system would continue to be exempt from the Federal old-age and

survivors insurance system like other Government employees who are members of the civil-service retirement system. The Federal Security Agency has advised us that it has no objection to such an amendment, and the Bureau of the Budget has advised us that there is no objection to the submission of this letter.

As passed by the House, H. R. 6000 apparently would extend the coverage of the Federal old-age and survivors insurance system so as to include a majority of the employees of this Board. The bill would exempt all employees of the United States who are "covered by a retirement system, established by a law of the United States, for employees of the United States." The report of the House Committee on Ways and Means construed this exemption to apply only to cases in which a law of the United States "specifically provides for the establishment of such retirement system." Most of the Board's employees are covered by the Federal Reserve retirement system, a retirement system which was established under authority of law but not by a specific statutory provision. It appears, therefore, that these employees would not be exempt. On the other hand, those employees who are covered by the civil-service retirement system would be exempt.

Of the 544 permanent full-time employees of the Board on November 30, 1949, 416 were members of the Federal Reserve retirement system and 128 were members of the civil-service retirement system. This difference in the status of employees results primarily from the fact that persons transferring to the Board from other Government agencies where they are covered by the civil-service retirement system continue in that system after their employment by the Board. The contributions and benefits of Board employees under the Federal Reserve retirement system are virtually identical with those under the civil-service retirement system, except in the cases of a handful of employees who have elected to continue under a retirement plan applicable to Federal Reserve bank employees. When Board employees transfer to other Government agencies where they are covered by the civil-service retirement system, they receive credit in that system for their service with the Board.

In view of the fact that H. R. 6000 would not extend the coverage of the Federal old-age and survivors insurance system to Government employees who are members of the civil-service retirement system or other retirement systems established by Federal law, the Board believes that it would be inconsistent and undesirable to extend the coverage to include employees of the Board who are members of the Federal Reserve retirement system. It would be particularly anomalous that one group of the Board's employees would be covered by Federal old-age and survivors insurance and another group would not be covered, even though both groups were members of comparable retirement systems. The integration of the contributions and benefits of Board employees under the Federal old-age and survivors insurance system with those under the Federal Reserve retirement system, as apparently would be necessary, would involve difficult administrative problems and would tend to cause confusion concerning the precise benefits to which the employees would be entitled. There would be obvious complications in connection with transfers of Board employees to other Government positions.

The Board's case is comparable to that of the Tennessee Valley Authority. That Authority also has a retirement system for its employees which is not a retirement system "established by a law of the United States." H. R. 6000, in defining the term "employment" for the purposes of Federal old-age and survivors insurance, specifically excludes service "in the employ of the Tennessee Valley Authority in a position which is covered by a retirement system established by such Authority." Thus the bill now contains an exact precedent for exempting the Board's employees who are members of the Federal Reserve retirement system.

In view of the foregoing, the Board recommends that the provisions of H. R. 6000 defining the term "employment" be amended by adding, in connection with the Tennessee Valley Authority exemption, a provision excluding service "in the employ of the Board of Governors of the Federal Reserve System in a position which is covered by a retirement system approved by such Board." Such a provision, or other appropriate language having the same effect, would be incorporated in section 210 (a) (7) of the Social Security Act, as amended by section 104 (a) of H. R. 6000, and section 1426 (b) (7) of the Internal Revenue Code, as amended by section 205 (a) of H. R. 6000.

The Board hopes that your committee will give favorable consideration to such an amendment and will be glad, of course, to furnish any further information which your committee may desire in connection with this matter.

Very truly yours,

S. R. CARPENTER, *Secretary.*

STATEMENT OF RICHARD P. WHITE, EXECUTIVE SECRETARY, AMERICAN ASSOCIATION OF NURSERYMEN, INC., ON H. R. 6000

Mr. Chairman, members of the committee, my name is Richard P. White. I am executive secretary of the American Association of Nurserymen, Inc., with headquarters in Washington, D. C. The membership of this association is approximately 1,200 firms located in 45 of the 48 States.

Membership in this association is limited to those persons, partnerships, or corporations engaged in the production and distribution of plant materials generally known as nursery stock, including fruit, nut, and ornamental trees, shrubs, vines, and other plants generally used for outdoor decorative planting. Many of our members are engaged in other types of farming, such as the raising of fresh fruit, the fattening of cattle, cereal-crop production, and so forth. We are general farmers, but in most cases primarily engaged in the production of horticultural speciality crops listed above. We do not consider bulbs as nursery stock.

Anticipating congressional hearings on the extension of coverage of the social-security laws of the country, a poll was taken of our membership late in 1948. On the basis of this direct expression of opinions from our membership, the executive committee of the AAN has instructed me to submit to this committee our views relative to the extension of coverage, to agricultural workers, of the old-age and survivors insurance provisions, the unemployment-compensation provisions, and the attendant tax sections of the social-security laws.

The great majority of our employees are, at present, exempt from the coverage of these laws as "agricultural labor." About forty percent of our agricultural employees are temporary or transient employees, due to the highly seasonal nature of our agricultural industry. Our total number of employees is approximately 50,000.

OLD-AGE BENEFITS AND SURVIVORS INSURANCE

A total of 324 member firms, or 28 percent of our entire firm membership, responded to this mail survey referred to above. Sixty-seven percent of the respondents indicated that they were in favor of extending the coverage of the Federal Insurance Contributions Act to their agricultural employees in order that they might earn the same old-age and survivors insurance benefit payments that workers in "employment" may earn; provided, however, that this is brought about through the elimination of the exemption in section 209 (b) (1) for agricultural labor. In other words, we as a part of agriculture, would not wish to be treated differently than all the rest of agriculture in this matter.

UNEMPLOYMENT COMPENSATION

Only 15 percent of the respondents to this survey expressed themselves as being in favor of the extension of coverage of the Federal Unemployment Tax Act, as now written, to their employees engaged in "agricultural labor."

This is due to several viewpoints as expressed in letters or otherwise, the most important of which are as follows:

(1) Due to the high percentage of temporary employees because of the seasonal nature of our business, a large percentage of our member firms would never be able to enjoy a good "merit rating" in those States where the rate of tax is determined by the employment experience of each firm. These firms, largely engaged in production of agricultural and horticultural commodities, would be penalized, therefore, merely as a result of the nature of their business.

(2) A general dissatisfaction was expressed in regard to the manner in which the unemployment-compensation payments were being administered in the States. Remarks such as the following were frequently written on the returns or were expounded in correspondence:

"Too many employees collecting this insurance because they do not want to work."

"I have seen too many employees collecting unemployment payments after leaving one job and working at some other industry while collecting for the full period allowed."

"I oppose unemployment insurance because the law is abused by those preferring to remain idle and draw relief."

An additional 36 percent of the respondents to this survey indicated that they would be in favor of extending the coverage of the unemployment-compensation

provisions of the law, provided the definition of "employer" was amended so as to eliminate the exemption provided for employers of less than eight employees. It is the view of these firms that such limitation is discriminatory in nature and that the unemployment-compensation provisions of the law should apply equally to all employers irrespective of the number of employees. Several State unemployment-compensation laws already apply to employers of one or more employees.

Even if amended as proposed, a bare majority of 51 percent of our member firms would be in favor of the extension of coverage of the Federal Unemployment Tax Act to include "agricultural labor."

GENERAL CONSIDERATIONS

There is one consideration that must be given attention if either the old-age and survivor's insurance or unemployment-compensation provisions are extended in application, and that pertains to the situation of many firms which have set up their own systems of pensions for the aged and unemployment payments when not employed. We have such firms within our membership, and in some cases these individual funded systems are more to the advantage of the employee than is the system of benefits provided for in the Federal laws. It would not be to the interest of the employees in such cases to force the employer over into the Federal pattern. He cannot afford both. In established systems, being funded through insurance companies, benefits already earned cannot be abandoned. It seems that in such cases some provision must be made in order to (1) protect the investments these firms have already made, and (2) protect the benefits that employees have already earned under such individually financed programs.

SUMMARY

In summary, representing the views of the members of the American Association of Nurserymen, Inc., an organization of specialized farmers, we—

(1) Are in favor of extending the old-age benefits and survivors insurance systems to "agricultural employees" as defined, provided extension of coverage is such so as to include all "agricultural employees" in all fields of agriculture;

(2) Are opposed to extension of the unemployment-compensation provisions of the laws to "agricultural employees"; and

(3) Urge that, under any extension of coverage that may be considered, provisions be made to protect the investments of employers and the earned benefits of employees in such voluntary, individually financed, retirement, pension, sickness, health, and accident programs that may be in effect.

STATE OF RHODE ISLAND, ETC.

In General Assembly, January Session, A. D. 1950

RESOLUTION Memorializing Congress with relation to amending the Federal Social Security Act with the purpose of extending the coverage and benefits thereof to include municipal employees

Resolved, That the Senators and Representatives from Rhode Island in the Congress of the United States be, and they are hereby, requested to use their efforts to amend the Federal Social Security Act with the purpose of extending the coverage and benefits thereof to include municipal employees; and be it further

Resolved, That the secretary of state be and he is hereby authorized and directed to transmit duly certified copies of this resolution to the Senators and Representatives from Rhode Island in the Congress of the United States

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SENATE CONCURRENT RESOLUTION 2

A CONCURRENT RESOLUTION Memorializing the Congress of the United States to enact the Social Security bill H. R. 6000 in such form as to extend Federal social security to include State and local government employees

Be it resolved by the Senate of South Dakota (the House concurring therein):

Whereas Federal social security should be extended to include provision for State and local government employees; and

Whereas this may be accomplished by enactment of the Federal social-security bill, H. R. 6000, in proper form; and

Whereas such legislation is necessary to give effect to chapter 233 of the South Dakota Session Laws of 1949: Now, therefore, be it

Resolved, That the Senate of the State of South Dakota, the House concurring therein, do memorialize the Congress of the United States to enact the legislation required to extend Federal social security to include provision for State and local government employees; be it further

Resolved, That copies of this concurrent resolution be forwarded to the President of the United States Senate, the Speaker of the United States House of Representatives, to United States Senator Chan Gurney, to United States Senator Karl Mundt, to Congressman Francis H. Case, and to Congressman Harold Lovre.

R. TERRY,
Lieutenant Governor, President of Senate.
A. E. MUNOK,
Speaker of the House of Representatives.

Attest:

NIELS P. JENSEN,
Secretary of the Senate.
W. J. MATSON,
Chief Clerk of the House.

STATEMENT BY SOL MARKOFF, LEGISLATIVE FIELD SERVICE, NATIONAL CHILD LABOR COMMITTEE, ON PROPOSED AMENDMENT TO THE SOCIAL SECURITY ACT

The National Child Labor Committee strongly urges the extension of the Federal social-security system to all agricultural workers.

So long as millions of farm workers are denied the benefits of social insurance, the Social Security Act's declared purpose of providing "for the general welfare" falls far short of its purpose.

Those who cultivate the soil to raise the crops which feed and clothe us merit the same concern as industrial workers who fabricate the products of their harvest.

Incomes of farm workers are often low and uncertain because of seasonal fluctuations. Denied the benefits of State and Federal minimum-wage laws, incomes of farm workers are considerably lower than that of unskilled urban wage earners. About half of the 3,300,000 farm families in our Nation had less than $1,000 in cash income in 1948. Because of their low earnings, farm workers find it difficult to accumulate savings which could be used during periods of unemployment or in their old age. There is no other group in the country who, more than they, need urgent protection against the hazards of unemployment, death of the wage earner, and the financial insecurity of old age.

In December last year, newspapers reported that 10 infants of migratory farm families in California died of starvation or malnutrition in 1 month while their parents were idle waiting for crops to be harvested. How many similarly shocking tragedies go unchronicled each year? Farm families produce greater numbers of prospective future citizens than do equal numbers of urban dwellers, and we cannot ignore their needs if we wish to insure a better, healthier citizenry tomorrow.

Seasonality and migration in farm work is so great that millions who are agricultural workers 1 month may be city workers the next. Thus, they may frequently pay social-security taxes and yet never receive the benefits of insurance because of insufficient earnings in covered employment. Denial of social-security benefits to these wage earners is a particularly cruel and unjust deprivation.

The administrative difficulties in covering farm workers are admittedly great. But they are only technical obstacles which intelligence and will can surmount. Surely 15 years' experience in social-security administration should now give us more easily the answers to administrative problems that could not be solved before.

Farm families need social security as much as other wage earners in the country. It is from low-income families that many child workers come—forced by economic need to begin gainful employment prematurely at the cost of their health and education. Social insurance will ease economic pressures and permit more farm children, like their city cousins, to take fuller advantages of educational opportunities and will permit them to enjoy a childhood free of the need for too-early employment.

OMAHA, NEBR., *January 5, 1950.*

HON. EUGENE D. O'SULLIVAN,
House of Representatives, Washington, D. C.

DEAR MR. O'SULLIVAN: The attached correspondence, with exhibits, I discussed with our mutual good friend, Mrs. Chris Hansen, Route 5, Omaha, and who is our committeewoman for this area. And she in turn mentioned the matter to you with your suggestion that it be submitted to you in writing as soon as you returned to Washington. Hence this letter.

You will note from the attached exhibits, dated September 9, 1949, that a party to be eligible to get his savings back must have worked at least 25 full quarters to qualify for a return of his savings. This then amounts to a confiscation of his earnings, which are to be held in trust by the Government till he reaches the age of 65.

I am quite sure that nearly all who have contributed to this fund through salary deductions and have reached the age of 65 were advised that such social-security deductions would be repaid them upon reaching that age. I know that at the Glenn L. Martin Co., where I was personnel administrator of the production department, we so advised all who entered that service, and I would estimate that this would apply to about 30 percent of the 14,000 employees, and I would estimate that in your district there are about 9,000 people who are thus adversely affected. This estimate is for those of all industries or other employment.

It will also apply in large measure to the thousands of women employees who worked during the war and who married upon the return of the men from active duty and thus took up household duties, the rearing of a family, etc. And hence very little likelihood of their ever again working for wages, which is as it should be, and they, too, are deprived of their earnings.

It also applies to that vast throng, from small towns and farms, who entered war work and upon the war's end returned to their farms or small towns and will never again come under social-security wage scales. They, too, are deprived of their earnings.

Since this money has been paid in for these people, the law should be so amended to pay back those who have reached 65 or more the same proportionate amount as though they had worked the full 25 quarters or in case of their decease to be paid in a lump sum to their estate.

As this law is now in the Senate, would it not now be better to try and amend it in Senate committee or in the Senate Chamber?

This would, of course, not call for any appropriation from the Congress, as it is only returning the savings to the people entitled to their own trust fund.

After making copies of the enclosed, or taking such notes therefrom as you desire, will you please return the file to me and advise your action that you propose to follow.

It is obvious that the thousands in your district and over a million in the Nation who are thus protected against this error in the law depriving them of their savings will no doubt be deeply grateful to you for sponsoring such a measure, and I feel sure the President would have no hesitancy in giving his endorsement as well.

Awaiting your further advices, I remain

Sincerely yours,

W. E. DANNEFER.

FEDERAL SECURITY AGENCY,
SOCIAL SECURITY ADMINISTRATION,
BUREAU OF OLD-AGE AND SURVIVORS INSURANCE,
Field Office, Omaha, Nebr., September 9, 1949.

Re Account No. 513-18-5570.

WILLIAM E. DANNEFER,
Omaha, Nebr.

DEAR SIR: This is in answer to your inquiry regarding payment of social-security benefits based on your earnings. The Social Security Act provides for payment of old-age insurance benefits to individuals 65 years of age or older who have sufficient employment on jobs covered by the law to be "insured." To be insured, a worker must have received wages of $50 or more in a minimum number of calendar quarters after 1936. The number of such quarters which are required depends upon the worker's date of birth.

We regret that benefits cannot be paid to you at this time because —

Based on the date of birth which you gave us, August 11, 1884, you must have received wages of $50 or more in 25 calendar quarters to qualify for benefits. Our records show that you have only 15 such quarters to your credit and, therefore, 10 additional quarters are required before you can become eligible for benefits.

Our determination that you are not entitled to benefits is based upon a careful review of your case. It is not, however, a formal determination of your eligibility. If you are not satisfied with our conclusion and wish to have your case reconsidered, it will be necessary to file an application. We will be glad to assist you in the preparation of the required forms if you so desire.

If you have any further questions concerning the old-age and survivors insurance provisions of the Social Security Act, you are invited to call at or write to this office. Our office hours are from 8:30 a. m. to 4 p. m. on Monday through Friday.

Sincerely yours,

E. H. DUNAWAY, *Manager.*
By K. K.

OMAHA, NEBR., *October 12, 1949.*

In re Account No. 513-18-5570.

SOCIAL SECURITY ADMINISTRATION,
Field Office,
Omaha, Nebr.

DEAR SIRS: Regarding yours of September 9.

Will you please furnish me in writing the section of the law that disqualifies all those who have paid into the Social Security fund for less than 25 quarters, from getting any of the funds back or that bars survivors from such benefits either in a lump sum or in payments.

This is necessary so that we can take it up with Congress when it meets in January and amend the bill to correct this situation.

Since there are over a million citizens who are thus deprived of their savings, these people and their relatives and friends, acting in unison, can make their efforts productive of results in the next session of Congress and the following election.

Will you also furnish in writing the amount of my earnings and the amount that has been withheld from the earnings and the amount credited to my account.

Sincerely yours,

W. E. DANNEFER.

FEDERAL SECURITY AGENCY,
SOCIAL SECURITY ADMINISTRATION,
BUREAU OF OLD-AGE AND SURVIVORS INSURANCE,
Field Office, Omaha, Nebr., October 18, 1949.

MR. W. E. DANNEFER,
Omaha, Nebr.

DEAR MR. DANNEFER: In reply to your recent letter, I am attaching a copy of the sections of the law touching on the points you have mentioned. The law provides that before any retirement benefits may be paid, the wage earner must be a "fully insured individual" at the time of his retirement. Before any survivor benefits may be paid, the wage earner must be either a "fully insured individual" or a "currently insured individual" at the time of his death.

In regard to the amount of wage credits set up to your account, there is the sum total of $10,088.27 as of March 31, 1946. Since the tax deduction on employees has remained at 1 percent, the total deduction in your case has very likely been $110.00.

If there is any further information you desire, please feel free to write or drop into our office when you are in our vicinity.

Sincerely yours,

E. H. DUNAWAY,
Manager.

OLD-AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

PRIMARY INSURANCE BENEFITS

SEC. 202. (a) Every individual, who (1) is a fully insured individual (as defined in section 209 (g) after December 31, 1939, (2) has attained the age of sixty-five, and (3) has filed application for primary insurance benefits, shall be entitled to receive a primary insurance benefit (as defined in section 209 (e)) for each month, beginning with the month in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies.

SEC. 209. (g) The term "fully insured individual" means any individual with respect to whom it appears to the satisfaction of the Board that—

(1) He had not less than one quarter of coverage for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever quarter is later, and up to but excluding the quarter in which he attained the age of sixty-five, or died, whichever first occurred, and in no case less than six quarters of coverage; or

(2) He had at least forty quarters of coverage.

As used in this subsection, and in subsection (h) of this section, the term "quarter" and the term "calendar quarter" mean a period of three calendar months ending on March 31, June 30, September 30, or December 31; and the term "quarter of coverage" means a calendar quarter in which the individual has been paid not less than $50 in wages * * *.

(h) The term "currently insured individual" means any individual with respect to whom it appears to the satisfaction of the Board that he has been paid wages of not less than $50 for each of not less than six of the twelve calendar quarters, immediately preceding the quarter in which he died.

UNITED STATES SENATE,
Washington, D. C., January 5, 1950.

Hon. WALTER F. GEORGE,
Chairman, Senate Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR SENATOR: While in my State during the recess of Congress, I was waited on by a delegation composed of representatives of law enforcement officers, firemen, teachers, and other State employees presently members of city or State retirement systems.

The people unanimously objected to section 218 of H. R. 6000, or to any other provision in the bill that would include them in its coverage. They recognize that as the bill now reads they would not be included unless the Administrator had been requested by the State to include them, but they feel keenly that this provision does not give them adequate protection and therefore they wish total exclusion. These employees, many of whom have been paying into their respective retirement funds for many years, do not wish in any way to have them jeopardized. This also seems to be the feeling of Federal employees now covered by retirement with whom I have talked.

Rather than take the time of your distinguished committee by appearing personally before you, I am taking the liberty of writing.

Sincerely yours,

ZALES N. ECTON,
United States Senator.

TEXAS ASSOCIATION OF SCHOOL ADMINISTRATORS,
Dallas, Tex., January 23, 1950.

Hon. TOM CONNALLY,
United States Senate,
Washington, D. C.

DEAR MR. CONNALLY: H. R. 6000 is before the Senate Finance Committee. We propose the following amendment:

"Proposed amendment to section 106 of H. R. 6000: Strike out section 218 (d) (1) (beginning with line 10, page 82, to and including line 17, page 83) and substitute therefor the following paragraph:

"'(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section.'"

We do not want to be in the position of objecting to the participation of public employees in social security; however, we prefer our own retirement system and do not want to run the risk of having it replaced by the less desirable Federal program.

We shall appreciate your study of this matter with a view to amending the resolution.

Very sincerely yours,

W. T. WHITE,
President of TASA.

TEXAS STATE TEACHERS ASSOCIATION, INC.,
EXECUTIVE OFFICES,
Fort Worth, Tex., January 24, 1950.

Senator TOM CONNALLY,
Senate Office Building,
Washington, D. C.

DEAR SENATOR CONNALLY: At a recent meeting of the executive committee of the Texas State Teachers Association endorsement was given to the following amendment to H. R. 6000.

"Strike out section 218 (d) (1) (beginning with line 10, page 82, to and including line 17, page 83) and substitute therefor the following paragraph:

"'(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section.'"

I hope you will find it possible to support this amendment which exempts from the provisions of H. R. 6000 those teachers who are already satisfactorily retired under a State system of teacher retirement.

Thanking you for whatever consideration you may give this letter, I am

Sincerely yours,

B. B. COMB, *Secretary.*

PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI,
Jefferson City, Mo., January 12, 1950.

Hon. JAMES P. KEM,
United States Senator, Washington, D. C.

DEAR SENATOR KEM: I wish to thank you for your letter of January 6, 1950. I am indeed sorry that it was not possible for me to talk with you while you were in Missouri. We had not completed our study of comparison of benefits under the proposed H. R. 6000 and our teachers retirement plan until the date on which my letter was addressed to you.

We are opposed to that provision of H. R. 6000 which provides that public employees, such as teachers, firemen, and others, may be covered by Old Age and Survivors' Insurance of the Federal Social Security Act by compacts between the State and Federal Government. The proposal provides that if there is a State or local retirement or pension plan covering any of these public employees, they may not be included unless a referendum vote is taken. We would like to see an amendment to section 106 of H. R. 6000 as follows:

"Strike out section 218 (d) (1) (beginning with line 10, page 82, to and including line 17, p. 83) and substitute therefore the following paragraph:

"'(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section.'"

My views on this matter are identical with those expressed by the National Council on Teacher Retirement, of which our system is a member. It is my feeling that the provisions offered under the teachers retirement plan of our State are much better for those who make teaching a career. A majority of teachers are either (1) single and without dependents, or (2) married and husband or wife also employed and covered by social security. In either of these instances, it is obvious that if teachers were placed under social security payments would be made for two benefits where only one could be received.

As you know, very few teachers enter the profession after age thirty-five, and, therefore, the vast majority of teachers would render services in the profes-

sion for a period of 30 or more years prior to retirement. Teacher retirement benefits are based on the period of creditable service rendered by the teacher, and the benefits increase proportionately with the length of service of the teacher. We feel that the provisions of the teacher retirement laws are better suited for members of the teaching profession and, in addition, teachers may expect to receive larger retirement allowances with the maximum years of creditable service.

It is apparent that social security benefits do not increase proportionately with length of service, since the benefits for 30 years of service at an annual salary of $2,400 are only $6 per month more than for 10 years of service at the same annual salary, and only $9 more would be paid to a retirant with 40 years of service than would be paid to a retirant with 10 years of service, and each receiving an annual salary of $2,400.

We have had prepared by our actuary a series of charts which are for the purpose of comparing benefits under the proposed H. R. 6000, and under the plan of the public school retirement system of Missouri. We are enclosing a copy of these charts, and hope that you will have opportunity to examine them. We think that charts 1, 2, 3, 5, and 8 are are particularly significant.

If we can submit any additional information to you which might be of value in presenting our views more forcibly, I hope that you will write me, indicating the information desired. After you have given due consideration to our suggestion of the proposed amendment to section 106 of H. R. 6000, I would be pleased to have your opinion in the matter and to know whether or not you will support such an amendment if presented.

Very truly yours,

G. L. DONAHOE, *Executive Secretary.*

CHART No. 1.—*Comparison of retirement income at 65 for a single teacher (male or female) or for a female married teacher whose husband is not under social security*

[Public school retirement system of Missouri—Proposed Federal social security (H. R. 6000)]

Membership service	Past service [1]	Monthly retirement income based on a $3,000 average salary	
		Public school retirement system of Missouri	Proposed primary social security [2] (H. R. 6000)
10 years	30 years	$70.25	$68.30
20 years	20 years	92.50	71.50
30 years	10 years	108.75	74.80
40 years		125.00	78.00
10 years		30.25	68.30
20 years		72.50	71.50
30 years		108.75	74.80
40 years		125.00	78.00

[1] Does not affect social-security benefit.

[2] Dependent parents or children, if any, would be entitled to an additional benefit.

Higher or lower average salaries would show rather similar results. For example, consider the following:

Salary and membership service	Monthly retirement income	
	Public school retirement system of Missouri	Proposed social security [1] (H. R. 600)
$1,800 for 40 years	$84.00	$90.00
$3,000 for 40 years	125.00	84.00
$1,800 for 10 years (plus 30 years past service)	54.75	57.80
$3,600 for 10 years (plus 30 years past service)	70.25	73.50

[1] Dependent parents or children, if any, would be entitled to an additional benefit.

CHART No. 2.—*Comparison of retirement income at 65 for all male married teachers regardless of wife's social-security status (including 50 percent additional wife's benefit which would cease on her death)*

[Public school retirement system of Missouri—Proposed Federal social security (H. R. 6000)]

Membership service	Past service [1]	Monthly retirement income based on a $3,000 average salary	
		Public school retirement system of Missouri	150 percent of proposed primary social security (H. R. 6000)
10 years	30 years	$70.25	$102.50
20 years	20 years	92.50	107.30
30 years	10 years	108.75	112.20
40 years		125.00	117.00
10 years		30.25	102.50
20 years		72.50	107.30
30 years		108.75	112.20
40 years		125.00	117.00

[1] Does not affect social-security benefit.

Higher or lower average salaries would show rather similar results. For example, consider the following:

Salary and membership service	Monthly retirement income	
	Public school retirement system of Missouri	150 percent of proposed social security (H. R. 6000)
$1,800 for 40 years	$84.00	$99.00
$3,000 for 40 years	125.00	126.00
$1,800 for 10 years (plus 30 years' past service)	54.75	86.70
$3,600 for 10 years (plus 30 years' past service)	76.25	110.30

Due allowance should be made, in using these examples, for the fact that this is not solely the husband's benefit but that the wife's 50-percent benefit is also included.

CHART No. 3.—*Comparison of retirement income at 65 for a female married teacher whose husband is also covered by social security (based on excess of own social security over 50 percent of husband's primary benefit (proposed basis))*

[Public school retirement system of Missouri—Proposed Federal social security (H. R. 6000)]

Membership service	Past service [1]	Monthly retirement income based on a $3,000 average salary	
		Public school retirement system of Missouri	Excess of own social security over 50 percent of husband's primary benefit [2] (proposed basis)
10 years	30 years	$70.25	$34.10
20 years	20 years	92.50	35.70
30 years	10 years	108.75	37.40
40 years		125.00	39.00
10 years		30.25	34.10
20 years		72.50	35.70
30 years		108.75	37.40
40 years		125.00	39.00

[1] Does not affect social-security benefit.

[2] Husband's primary benefit figured on same basis as that for wife; probably this assumption understates husband's true benefit in many cases and hence overstates wife's net payment from social security.

Higher or lower average salaries would show rather similar results. For example, consider the following:

Salary and membership service	Monthly retirement income	
	Public school retirement system of Missouri	Excess of own social security over 50 percent of husband's benefit [1] (proposed basis)
$1,800 for 40 years	$84.00	$33.00
$3,000 for 40 years	125.00	42.00
$1,800 for 10 years (plus 30 years past service)	54.75	28.90
$3,600 for 10 years (plus 30 years past service)	70.25	36.70

[1] Husband's primary benefit figured on same basis as that for wife; probably this assumption understates husband's true benefit in many cases and hence overstates wife's net payment from social security.

CHART No. 4.—*Comparison of disability income for any teacher (male or female, married or single)*

[Public school retirement system of Missouri—Proposed Federal social security (H. R. 6000)]

Attained age at disability	Membership service	Past service [1]	Monthly disability income based on $3,000 average salary	
			Public school retirement system of Missouri	Proposed primary social security (H. R. 6000)
30 years	5 years			$66.70
40 years	5 years	10 years	$34.31	66.70
50 years	10 years	15 years	59.63	68.30
59 years	10 years	24 years	68.62	68.30
30 years	5 years			66.70
40 years	15 years		48.94	69.90
50 years	25 years		81.56	74.20
59 years	34 years		103.73	76.10

[1] Does not affect social-security benefit.

Higher or lower average salaries would show rather similar results. For example, consider the following:

Salary and membership service	Monthly disability income	
	Public school retirement plan	Proposed social security (H. R. 6000)
$1,800 for 25 years	$55.69	$61.90
$3,600 for 25 years	81.50	78.80
$1,800 for 15 years	33.41	59.20
$3,000 for 15 years	48.94	75.30

CHART No. 5.—*Comparison of cash death benefits (death before retirement) for any teacher (male or female, married or single)*

[Public school retirement system of Missouri—Proposed Federal social security (H. R. 6000)]

Membership service	Cash death benefit based on a $3,000 average salary					
	Public school retirement system of Missouri (assuming 4 percent contributions)			Proposed social security (H. R. 6000) cash benefit [1]		
	Employee's total contributions	Death benefit	Excess of death benefit over contributions	Employee's total contributions	Death benefit	Excess of death benefit over contributions
10 years	$1,200	$1,313.97	$113.97	$585.00	$204.90	$380.10
20 years	2,400	2,915.68	515.68	1,410.00	214.50	1,195.50
30 years	3,600	4,868.17	1,268.17	2,385.00	224.40	2,160.60
40 years	4,800	7,248.24	2,448.24	3,360.00	234.00	3,126.00

[1] If the teacher leaves any surviving dependents, there may be additional survivor's benefits under social security. (See chart No. 6 for example.)

Higher or lower average salaries would show rather similar results. For example, consider the following:

Membership service	Cash death benefits			
	Public school retirement system of Missouri		Proposed social security [1] (H. R. 6000)	
	Death benefit	Excess over employee's contribution	Death benefit	Excess over employee's contribution
$1,800 for 40 years	$4,348.94	$1,468.94	$198.00	$1,818.00
$3,600 for 40 years	7,248.24	2,448.24	252.00	3,780.00
$1,800 for 10 years	788.38	68.38	173.40	177.60
$3,600 for 10 years	1,313.97	113.97	220.50	481.50

[1] If the teacher leaves any surviving dependents, there may be additional survivor's benefits under social security. (See chart No. 6 for example.)

CHART No. 6.—*Survivorship benefits under proposed Federal social security (H. R. 6000)—Death before retirement*

(This chart supplements chart No. 5 and should be used with it)

[All figures based on a $3,000 average salary and 10 years membership service] [1]

Benefits payable to—	*Total monthly benefit for family*
Wife only, under age 65 (no dependent children)	0
Wife only, over age 65 (no dependent children)	$51.30
Wife (any age) with dependent child under 18 [2]	102.60
Wife (any age) with 2 dependent children under 18 [2]	136.80
1 dependent parent, over age 65, not otherwise entitled to benefits (benefit available only if there is no widow or dependent children)	51.30
2 dependent parents, both over age 65, not otherwise entitled to benefits (benefit available only if there is no widow or dependent children)	102.60

[1] Longer periods of membership service would slightly increase the benefits shown above.
[2] Benefit with respect to each child canceled when that child becomes 18, or earlier if child ceases to be dependent. Wife's benefit canceled when last child's benefit canceled, unless wife is then over age 65.

CHART No. 7.—*Comparison of death benefits after retirement*

[Public school retirement system of Missouri—Proposed Federal social security (H. R. 6000)]

Age at death	Death benefits after retirement based on $3,000 average salary		
	Public school retirement system of Missouri, cash payment	Proposed social security (H. R. 6000)	
		Cash payment	Widow's benefit [1]
			Monthly
Assuming 40 years' membership service, and no past service:			
66 (after 1 year's retirement increase)	$5,748.24	0	$58.50
67 (after 2 years' retirement increase)	4,248.24	0	58.50
68 (after 3 years' retirement increase)	2,748.24	0	58.50
69 (after 4 years' retirement increase)	1,248.24	0	58.50
70 (after 5 years' retirement increase)	0	0	58.50
Assuming 10 years' membership service, and 30 years' past service:[2]			
66 (after 1 year's retirement increase)	398.97	0	51.30
67 (after 2 years' retirement increase)	0	0	51.30
68 (after 3 years' retirement increase)	0	0	51.30
69 (after 4 years' retirement increase)	0	0	51.30
70 (after 5 years' retirement increase)	0	0	51.30

[1] This benefit payable to a surviving widow; it ceases upon her death or remarriage.
[2] Does not affect social-security benefit.

Higher or lower average salaries would show rather similar results. For example, consider the following:

Salary and membership service	Death benefits after retirement		
	Public school retirement system of Missouri, cash payment after 1 year	Proposed social security (H. R. 6000)	
		Cash payment	Widow's benefit [1]
			Monthly
$1,800 for 40 years	$3,340.94	0	$49.50
$3,600 for 40 years	5,748.24	0	63.00
$1,800 for 10 years (plus 30 years' past service)	131.38	0	43.40
$3,600 for 10 years (plus 30 years' past service)	398.97	0	55.20

[1] This benefit payable to a surviving widow; it ceases upon her death or remarriage.

CHART No. 8.—*Comparison of cash withdrawal benefits for any teacher (male or female, married or single)*

[Public school retirement system of Missouri—Proposed Federal social security (H. R 6000)]

Membership service	Cash withdrawal benefit based on a $3,000 average salary					
	Public school retirement system of Missouri (assuming 4 percent contributions)			Proposed social security [1] (H. R. 6000)		
	Employee's total contributions	Cash withdrawal benefit	Excess of withdrawal over contributions	Employee's total contributions	Cash withdrawal benefit	Excess of withdrawal over contributions
10 years	$1,200	$1,313.97	$113.97	$585	0	$585
20 years	2,400	2,915.68	515.68	1,410	0	1,410
30 years	3,600	4,868.17	1,268.17	2,385	0	2,385
40 years	4,800	7,248.24	2,448.24	3,360	0	3,360

[1] Under proposed social security the teacher might receive a reduced monthly income at 65 and/or dependents' or survivors' benefits. Under no circumstances, however, could he or she receive any immediate cash benefit upon withdrawal from covered employment prior to age 65.

Higher or lower average salaries would show rather similar results. For example, consider the following:

Membership service	Cash withdrawal benefit			
	Public school retirement system of Missouri		Proposed social security [1] (H. R. 6000)	
	Withdrawal benefit	Excess over employee's contributions	Withdrawal benefit	Excess over employee's contributions
$1,800 for 40 years	$4,348.94	$1,468.94	0	$2,016
$3,600 for 40 years	7,248.24	2,448.24	0	4,032
$1,800 for 10 years	788.38	68.38	0	351
$3,600 for 10 years	1,313.97	113.97	0	702

[1] Under proposed social security the teacher might receive a reduced monthly income at 65 and/or dependents' and survivors' benefits. Under no circumstances, however, could he or she receive any immediate cash benefit upon withdrawal from covered employment prior to age 65.

CHART NO. 9—POSSIBLE SURVIVORSHIP OPTIONS UNDER THE PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI

In lieu of a retirement income, payable only for the life of a retired teacher, it would be possible to provide survivorship benefits of the same financial worth at date of retirement as the present benefits. To offer such survivorship options would require an amendment to the present act. The most usual forms of survivorship options are two in number, as follows:

1. A reduced retirement income payable in level monthly installments to the retired teacher and to a named beneficiary as long as either one survives. (Choice of the beneficiary must be made on or before retirement date and no change can be made after retirement.)

2. A reduced retirement income payable during the retired teacher's life, with the provision that after his (or her) death one-half the amount of the reduced retirement income shall continue during the life of, and shall be paid to, a named beneficiary if such named beneficiary shall survive the retired teacher. (The named beneficiary must be chosen on or before retirement date.)

The retirement income payable under the above survivor options would of necessity be smaller than the regular retirement income payable only during the life of the retired teacher. Likewise the amount of income would vary with the age and sex of the teacher and his beneficiary.

The following examples show estimated monthly incomes payable under the two survivorship options under certain age and sex assumptions:

	Per month
Male teacher retires at 65; female beneficiary also age 65:	
Basic life income	$100.00
Option No. 1: Estimated income during life of teacher or beneficiary	71.00
Option No. 2:	
(*a*) Estimated income during joint lives then	83.00
(*b*) Income during lifetime of surviving named beneficiary	41.50
Female teacher retires at 65; female beneficiary also age 65:	
Basic life income	100.00
Option No. 1: Estimated income during life of teacher or beneficiary	79.00
Option No. 2:	
(*a*) Estimated income during joint lives then	88.00
(*b*) Income during lifetime of surviving named beneficiary	44.00

STATEMENT ON H. R. 6000 BY THE HONORABLE JAMES T. PATTERSON OF CONNECTICUT

Mr. Chairman and members of the committee, there is before this committee for consideration and study, H. R. 6000, which has received approval by the House of Representatives. Although passage, at that time, was overwhelming

there was, to say the least, a lack of unanimity as to the soundness of many provisions contained in the legislation. Under the procedure with which H. R. 6000 was considered, no amendments were permitted, except those receiving approval of a majority of the Committee on Ways and Means.

For this reason, it is hoped that this committee will make such changes as are deemed advisable so that after Senate consideration, a committee of conference may bring back to the House a more constructive bill.

Representatives of the Connecticut Education Association appear here today to present the views of members of their fine organization with respect to section 106 of the proposed act. There is much merit in the proposal that those already covered by retirement systems, in this instance the teachers, shall not be participants in the Federal social-security system. Although provision is made for referendum before coverage is granted, the prospect of hasty action might well jeopardize the position of those now satisfied with the State system, which has proved satisfactory in performance. The individual States are far more cognizant of the needs of these groups, and thus administration of the system is more practical and personal. It is to be hoped that the committee will note favorably this request, and suitably amend the pertinent section.

In addition, I would request that consideration be granted to the advisability of lowering the age limit of wives and widows, under both the old-age and survivors provisions, to 60. When the male earning power ceases, through either death or the attainment of age 65, an unsuitable situation comes into being. In almost every instance the spouse or widow is below the age of 65, and thus deprived of participation in the benefits which would accrue. Most American males marry women a few years their junior—as a result not only is earning power lessened by retirement of the male at age 65, but the pittance granted is inadequate for subsistence should the spouse be less than 65. I had desired to amend H. R. 6000 to thus provide, but was precluded from doing so by the "no amendment" rule in the House.

Your earnest consideration of these two possible changes in the provisions of H. R. 6000 would be deeply appreciated.

THE STATE OF UTAH,
DEPARTMENT OF PUBLIC INSTRUCTION,
Salt Lake City, February 2, 1950.

Senator ELBERT D. THOMAS,
United States Senate, Washington, D. C.

DEAR SENATOR THOMAS: I believe it is in the interest of the teachers of the State of Utah that the Senate accept the recommendations of the joint committee of public employee organizations asking that H. R. 6000 be amended as follows:

1. In section 218 under definition strike out (C) of paragraph (5).

2. In section 218 strike out (d) (1) (line 10, page 82, through line 17, page 83) and substitute:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

It appears to me that these amendments are necessary in order to protect the interests of the established teacher retirement systems. In Utah, we are interested especially in protecting the Utah Teachers Retirement Association which has been in operation for nearly 15 years.

Trusting you will do what you can to see that these amendments are accepted by the Senate, I am

Sincerely yours,

E. ALLEN BATEMAN,
State Superintendent of Public Instruction.

NEW JERSEY STATE PATROLMEN'S BENEVOLENT ASSOCIATION, INC., AND NEW JERSEY STATE ASSOCIATION OF CHIEFS OF POLICE, INC.

FEBRUARY 9, 1950.

Re H. R. 6000--Social security bill.

SENATE FINANCE COMMITTEE,
Senate Office Building, Washington, D. C.

HONORABLE SIRS: The New Jersey State Patrolmen's Benevolent Association, Inc., and the New Jersey State Association of Chiefs of Police, Inc., represents an active membership of 12,000 police officers in 563 municipalities in New Jersey.

We are opposed to the extension of social-security coverage to police officers, who are members of an existing retirement system, because we earnestly believe such coverage would injure police officers, instead of benefiting them.

The local taxpayer will not stand for supporting both systems, nor is it economical or just to expect the taxpayer to do so. Apropos this situation, social security would impose a double burden of contribution upon police officers, who are underpaid in many States. The forcing of police officers under social security would inevitably lead to the destruction of their own local pension systems, regardless of the Federal-State agreement as to coverage.

Our specific objections to social-security coverage is outlined as follows:

(1) Present public retirement systems in the States and subdivisions thereof are adequate to provide for their employees.

(2) The benefits under the typical retirement plan for death, disability, old age, and survivorship are better adapted to the needs of the public employees than the benefits under the Social Security Act which was set up for industrial workers.

(3) Public employees have grave doubts that many States and subdivisions thereof can afford to have both, present retirement systems and social-security coverage, without affecting their salaries or impairing public services.

Now as to H. R. 6000, all that has been said applies besides--

(a) The proposals under this bill as to contribution costs contemplates an increasing cost to the individual as the years go by; thus, imposing a real hardship on public employees who now belong to a retirement system, as two deductions must be made from his salary.

(b) The proposed higher benefits under this bill would not exceed those paid by public retirement systems---Federal or State.

(c) We recommend that public employees covered by a State or subdivision thereof retirement system should be excluded from the bill H. R. 6000.

(4) A referendum may take us into social security, but the State or State subdivision may drop us out without a referendum. If a State withdraws from social security it loses all moneys paid in. There is no provision for any return of funds.

(5) Public employees do not wish to interpose any objections to the extension of social-security coverage or benefits to those not so well covered and protected as they are under public retirement systems, but they most respectfully pray and ask that they be excluded from coverage and be permitted to remain undisturbed in their present contractual rights and expectations that they now enjoy and that they may continue to look forward to an age of retirement under a protected public retirement system.

We therefore beg the Senate Finance Committee to endorse recently introduced amendments to H. R. 6000 which would definitely exclude police officers now covered by a pension system from the scope of the bill; and we respectfully urge that the Finance Committee recommend this course of action to the Senate.

Respectfully submitted.

HOWARD J. DEVANEY,
President, New Jersey State Patrolmen's Benevolent Association.
FRED A. ROFF,
Executive Secretary, New Jersey State Association of Chiefs of Police.

BARRE, VT., *February 8, 1950.*

Senator RALPH FLANDERS,
Senate Office Building:

Request you confer the Senate Finance Committee to exempt firemen from social-security coverage, H. R. 6000, hearing February 9.

LOCAL 881, INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS,
A. J. AMBROSINI, *Secretary-Treasurer.*

RUTLAND FIREMEN'S ASSOCIATION, LOCAL 862,
Rutland, Vt., February 4, 1950.

Hon. RALPH E. FLANDERS,
United States Senate.

SIR: We, the undersigned, representing the Rutland Firemen's Association, respectfully urge that you meet with the Senate Finance Committee and express opposition to the House bill 6000, as we don't feel that our membership will benefit by being included in the social-security law. We have a pension plan at present which is suitable, and we have opportunity from time to time to improve it. It is our belief that the committee is to meet February 9, 1950.

Respectfully yours,

RICHARD M. BARRON,
President.
JOHN W. BARRETT,
Secretary-Treasurer.

BLUEFIELD, VA., *February 3, 1950.*

Senator M. M. NEELY,
United States Senate:

Urge you confer with Senate Finance Committee on H. R. 6000 and request firemen be exempt from social-security coverage.

LOCAL 347, INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS,
C. R. WYNNE, *Secretary.*

FAIRMONT, W. VA., *February 2, 1950.*

Hon. MATTHEW M. NEELY,
Senate Office Building, Washington, D. C.:

In regard social-security amendment, known as H. R. 6000, please be advised that members of Fairmont Fire Department hope to maintain their present pension system and ask your support in making the amendment read: "Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (B) (4) of the section."

LOCAL 318,
RALPH L. GUMP,
President.
ALBERT C. ANGELILLI, Jr.,
Secretary.

INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS, LOCAL NO. 80,
Clarksburg, W. Va., January 27, 1950.

Hon. M. M. NEELY,
Senator, Washington, D. C.

DEAR SIR: We have heard that hearings on H. R. 6000 before the Senate Finance Committee will begin on about January 16 and continue into the month of February.

We would like for you to use your influence to have H. R. 6000 amended as follows:

Strike out section 218 (D) (1) (beginning with line 10, page 82, to and including line 17, page 83) and substitute therefor the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (B) (4) of the section."

We feel that we will be better off remaining in our own retirement system; therefore, by amending H. R. 6000, we will be exempt from the bill.

Wishing for you the best of luck, we remain,

Very truly yours,

D. M. HEVNER,
Clarksburg Firemen Local No. 89.

KANAWHA COUNTY EDUCATION ASSOCIATION, WEST VIRGINIA,
Charleston, W. Va., January 31, 1950.

Senator MATTHEW M. NEELY,
United States Senate, Washington, D. C.

DEAR SENATOR: We urge you to support these changes in H. R. 6000:

In section 218 under "definitions" strike out (c) of paragraph (5).

In section 218 (d) (1) (line 10, p. 82, through line 17, p. 83) and substitute:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

Yours very truly,

RUTH A. JEFFERS, *President.*

BOARD OF EDUCATION,
COUNTY OF WOOD,
Parkersburg, W. Va., January 30, 1950.

Senator MATTHEW M. NEELY,
United States Senate, Washington, D. C.

DEAR SENATOR NEELY: Because of the effect which it would have on the Wood County teachers retirement system, as well as the West Virginia teachers retirement system, teachers in the public schools of Wood County are opposed to H. R. 6000, unless amended so that such places as this county, having adequate retirement provisions already established for teachers, are exempted from the effects of this bill.

We favor its passage only if amended as follows:

1. In section 218 under "definitions" strike out out (c) of paragraph (5).

2. In section 218 strike out (d) (1) (line 10, p. 82, through line 17, p. 83) and substitute:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

Your record of constant support of school measures is appreciated, and we trust that you will not support H. R. 6000 as passed by the House of Representatives.

Very truly yours,

E. S. SHANNON,
Superintendent, Wood County Schools.

FRATERNAL ORDER OF POLICE,
MOUNTAINEER LODGE NO. 78,
Clarksburg, W. Va., January 24, 1950.

Senator MATTHEW M. NEELY,
Senate Office Building, Washington, D. C.

DEAR SENATOR NEELY: It has come to our attention that there is a bill coming up, H. R. 6000, a retirement system under social security, which would do our organization more harm than good.

It is our belief that members of our organization are better off under our present retirement system because the retirement allowances are higher than those of social security, and because they can retire at an earlier age. However, we are not against the extension of social security to those who do not have a pension system.

Our request is:

Strike out section 218 (d) (1) beginning with line 10, page 82; to and including line 17, page 83; and substitute the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

We do hope that you will do all in your power to help us keep our present retirement system.

Please let us hear from you.

Sincerely yours,

VIRGIL J. SHACK,
President, Fraternal Order of Police, Mountaineer Lodge No. 79.

FRATERNAL ORDER OF POLICE,
FRIENDLY CITY LODGE NO. 69,
Fairmont, W. Va., January 25, 1950.

Hon. MATTHEW M. NEELY,
Senate Office Building, Washington, D. C.

DEAR SENATOR: We were advised by our national organization that H. R. 6000, the proposed social security amendment now pending before the Senate Finance Committee, will affect the present police pension systems.

It is our belief that police officers, who are members of a retirement system, are better off remaining in that system because the retirement allowances are higher than those of social security, and because they can retire at an earlier age. We are not against the extension of social security to those who do not have a pension system.,

Trusting you will give this careful consideration and kindly include the following amendments proposed to bill:

Strike out section 218 (d) (1) (beginning with line 10, p. 82, to and including line 17, p. 83) and substitute therefor the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

Thanking you in advance for your kind cooperation.

Very truly yours,

H. B. SQUIRES, *President.*
CARL R. CAIN, *Secretary.*

KINGWOOD HIGH SCHOOL,
Kingwood, W. Va., January 30, 1950.

Mr. MATTHEW M. NEELY,
Senate Office Building, Washington, D. C.

DEAR MR. NEELY: The people in my county are greatly concerned about H. R. 6000 that is now under consideration in the Senate Finance Committee. As you know, we have worked hard in West Virginia for a satisfactory retirement system for teachers, and we cannot afford to have it destroyed.

Please use your influence to have the bill under consideration exclude all teachers and other public employees now covered by a retirement system from this bill on Federal social security.

Thank you very much for anything that you might do for us.

Yours very truly,

GRACE I. MAUST,
President of the Preston County Education Association.

CITY OF WILLIAMSON POLICE DEPARTMENT,
Williamson, W. Va., January 29, 1950.

M. M. NEELY,
United States Senator, Washington, D. C.

DEAR SENATOR NEELY: I am writing you asking that you use your influence to have H. R. 6000 amended as follows:

Striking out section 218 (d) (1) (beginning with line 10, p. 82, to and include line 17, p. 83) and substitute therefor the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

It is my belief that police officers, who are members of a retirement system, are better off remaining in that system because the retirement allowances are higher than those of social security and because they can retire at an earlier age.

I am not against the extension of social security to those who do not have a pension system.

Please remember that I am on retirement system at $85 per month, and I feel this is more than I would get under social security. Thanking you for any service you can be in helping us on this bill.

Very truly yours,

P. B. MAYNARD.

FRATERNAL ORDER OF POLICE,
NORTHERN PANHANDLE LODGE, NO. 84,
Weirton, W. Va., January 21, 1950.

Hon. M. M. NEELY,
United States Senator, Washington, D. C.

HONORABLE SIR: On the 12th day of January 1950, at a meeting of our lodge we discussed H. R. 6000, which is up for consideration by the Senate Finance Committee.

The discussion resulted in the unanimous adoption of a resolution expressing the attitude of the lodge as being definitely opposed to the provision of H. R. 6000 which may mean an end to our retirement system which is far better than that proposed in H. R. 6000.

Accordingly we sincerely and hopefully urge you to voice our opposition in the particular mentioned if you get an opportunity so to do and that you urge that H. R. 6000 be amended as follows:

Strike out section 218 (d) (1) (beginning with line 10, p. 82, to and including line 17, p. 83) and substitute therefor the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (b) (4) of this section."

We thank you in advance for your favor in this regard.

Respectfully,

PANHANDLE POLICE LODGE, NO. 84,
By JOHN COULTER, *President.*

Attest:

TONY ORLANDO, *Secretary.*

CITY OF MARTINSBURG POLICE DEPARTMENT,
Martinsburg, W. Va., January 20, 1950.

Hon. M. M. NEELY,
United States Senate, Washington, D. C.

DEAR SENATOR: We have just received word from Washington which indicates that hearings on H. R. 6000 before the Senate Finance Committee will begin on January 16. In view of this, the members of Berkeley-Jefferson Lodge 83, Fraternal Order of Police, have requested me, as secretary, to solicit your influence to have this bill amended as follows:

Strike out section 218 (D) (1) (beginning with line 10, p. 82, to and including line 17, p. 83) and substitute therefor the following paragraph:

"(7) Such agreement shall exclude all public employees in positions covered by a retirement system, as previously defined in subsection (B) (4) of this section."

We believe that police officers, who are members of a retirement system, are better off remaining in that system. However, we are not, in any way, against the extension of social security to those who do not have a pension system.

Your support in this instance will be more than appreciated by each and every member of this organization.

Yours most sincerely,

H. KENNETH CUSHWA,
Secretary-Treasurer Berkeley-Jefferson Lodge 83,
Fraternal Order of Police.

CLARKSBURG, W. VA., *January 31, 1950.*

Hon. MATTHEW M. NEELY,
Senate Office Building, Washington, D. C.

DEAR MR. NEELY: I have been informed that they have a bill in Congress to put employees of municipalities under social security. I don't know anything

about the bill as I have never seen one and they will force me to go on the pension in September at the age of 65.

The city of Clarksburg would never allow us to pay into the social security as we have a pension plan that pays us $100 a month which I have paid into for years and have depended upon this after my retirement. Is it possible that the firemen and policemen could be exempted and left under the present pension plan that is already set up for them in West Virginia?

I would appreciate an immediate reply on this matter if possible. Thanking you for your kindness and consideration of this bill. I have over 20 years service with the Clarksburg Fire Department.

Yours truly,

C. F. HINES, *Fireman.*

(Whereupon, at 4:10 p. m., Monday, February 13, 1950, the committee recessed to reconvene Monday, February 20, 1950, at 10 a. m.)

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