SOCIAL SECURITY BENEFITS AND ELIGIBILITY

HEARINGS BEFORE THE COMMITTEE ON FINANCE UNITED STATES SENATE EIGHTY-SEVENTH CONGRESS FIRST SESSION ON H.R. 6027

AN ACT TO IMPROVE BENEFITS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM BY INCREASING THE MINIMUM BENEFITS AND AGED WIDOW'S BENEFITS AND BY MAKING ADDITIONAL PERSONS ELIGIBLE FOR BENEFITS UNDER THE PROGRAM, AND FOR OTHER PURPOSES

MAY 25 AND 26, 1961

Printed for the use of the Committee on Finance

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SOCIAL SECURITY BENEFITS AND ELIGIBILITY

THURSDAY, MAY 25, 1961

U.S. SENATE,
COMMITTEE ON FINANCE,
WASHINGTON, D.C.

The committee met, pursuant to notice, at 10:15 a.m., in room 2221, New Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.


Also present: Robert J. Myers, Chief Actuary, Social Security Administration; Miss Helen Livingston and Frederick B. Arner, Education and Public Welfare Division, Legislative Reference Service, Library of Congress.

The CHAIRMAN. The committee will come to order.

The Chair regrets that several other members of the committee are attending other committee meetings or are out of town. However, we shall proceed.

The hearing today is on the bill, H.R. 6027, to improve benefits under the old-age survivors and disability insurance program by increasing the minimum benefits and aged widow’s benefits and by making additional persons eligible for benefits under the program, and for other purposes.

I submit for the record a copy of the bill and a brief summary of the principal provisions on which testimony is to be given today.

(The documents referred to follow:)

[H.R. 6027, 87th Cong., 1st sess.]

AN ACT To improve benefits under the old-age, survivors, and disability insurance program by increasing the minimum benefits and aged widow’s benefits and by making additional persons eligible for benefits under the program, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the “Social Security Amendments of 1961”.

TITLE I—AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT

INCREASE IN MINIMUM BENEFITS

Sec. 101. (a) The table in section 215(a) of the Social Security Act is amended by striking out all the figures in columns I, II, III, IV, and V down through the line which reads

"$13.49 14.00 37.10 38.00 68 69 41 61.50"

and inserting in lieu thereof the following:

"$13.48 13.48 37.10 37.00 67 67 60.00 61.50"
the amendment made by subsection (a) shall apply only in the case of
monthly insurance benefits under title II of the Social Security Act for months
beginning on or after the effective date of this title (see section 106), and in
the case of lump-sum death payments under such title with respect to deaths on
or after such effective date.

SOCIAL SECURITY BENEFITS

SEC. 102. (a) Section 202 of the Social Security Act is amended by striking
out "retirement age" and "retirement age (as defined in section 216(a))" each
place they appear therein and inserting in lieu thereof "age 62".

(b) (1) Subsections (q) and (r) of section 202 of such Act are amended to
read as follows:

"Adjustment of Old-Age, Wife's, or Husband's Insurance Benefit Amounts In
Accordance With Age of Beneficiary

"(q) (1) If the first month for which an individual is entitled to an old-age,
wife's, or husband's insurance benefit is a month before the month in which such
individual attains age 65, the amount of such benefit for each month shall, sub-
ject to the succeeding paragraphs of this subsection, be reduced by—

"(A) 1% of 1 percent of such amount if such benefit is an old-age insurance
benefit, or 1/2% of 1 percent of such amount if such benefit is a wife's or
husband's insurance benefit; multiplied by

"(B) (1) the number of months in the reduction period for such benefit
(determined under paragraph (5)), if such benefit is for a month before the
month in which such individual attains age 65, or

"(II) the number of months in the adjusted reduction period for such
benefit (determined under paragraph (6)), if such benefit is for the month
in which such individual attains age 65 or for any month thereafter.

"(2) (A) If the first month for which an individual both is entitled to a wife's
or husband's insurance benefit and has attained age 62 is a month for which such
individual is also entitled to—

"(1) an old-age insurance benefit (to which such individual was first
entitled for a month before he attains age 65), or

"(II) a disability insurance benefit.
then in lieu of any reduction under paragraph (1) (but subject to the succeeding
paragraphs of this subsection) such wife's or husband's insurance benefit for
each month shall be reduced as provided in subparagraph (B), (C), or (D).

"(B) For any month for which such individual is entitled to an old-age in-
surance benefit, such individual's wife's or husband's insurance benefit shall be
reduced by the sum of—

"(I) the amount by which such old-age insurance benefit is reduced under
paragraph (1), and

"(II) the amount by which such wife's or husband's insurance benefit
would be reduced under paragraph (1) if it were equal to the excess of
such wife's or husband's insurance benefit (before reduction under this sub-
section) over such old-age insurance benefit (before reduction under this
subsection).

"(C) For any month for which such individual is entitled to a disability in-
surance benefit, such individual's wife's or husband's insurance benefit shall be
reduced by the amount by which such benefit would be reduced under paragraph
(1) if it were equal to the excess of such benefit (before reduction under this
subsection) over such disability insurance benefit.

"(D) For any month for which such individual is entitled neither to an old-
age insurance benefit nor to a disability insurance benefit, such individual's wife's
or husband's insurance benefit shall be reduced by the amount by which it would
be reduced under paragraph (1).

"(8) If—

"(A) an individual is or was entitled to a benefit subject to reduction
under this subsection, and

"(B) such benefit is increased by reason of an increase in the primary
insurance amount of the individual on whose wages and self-employment
income such benefit is based,
then the amount of the reduction of such benefit for each month shall be com-
puted separately (under paragraph (1) or (2), whichever applies) for the por-
tion of such benefit which constitutes such benefit before any increase described
in subparagraph (B), and separately (under paragraph (1) or (2), whichever applies to the benefit being increased) for each such increase. For purposes of determining the amount of the reduction under paragraph (1) or (2) in any such increase, the reduction period and the adjusted reduction period shall be determined as if such increase were a separate benefit to which such individual was entitled for and after the first month for which such increase is effective.

"(A) No wife's insurance benefit shall be reduced under this subsection—

"(1) for any month before the first month for which there is in effect a certificate filed by her with the Secretary, in accordance with regulations prescribed by him, in which she elects to receive wife's insurance benefits reduced as provided in this subsection, or

"(II) for any month in which she has in her care (individually or jointly with the person on whose wages and self-employment income her wife's insurance benefit is based) a child of such person entitled to child's insurance benefits.

"(B) Any certificate described in subparagraph (A) (I) shall be effective for purposes of this subsection (and for purposes of presenting deductions under section 203(c) (2))—

"(1) for the month in which it is filed and for any month thereafter, and

"(II) for months, in the period designated by the woman filing such certificate, of one or more consecutive months (not exceeding 12) immediately preceding the month in which such certificate is filed; except that such certificate shall not be effective for any month before the month in which she attains age 62, nor shall it be effective for any month to which subparagraph (A) (II) applies.

"(C) If a woman does not have in her care a child described in subparagraph (A) (II) in the first month for which she is entitled to a wife's insurance benefit, and if such first month is a month before the month in which she attains age 65, she shall be deemed to have filed in such first month the certificate described in subparagraph (A) (I).

"(D) For purposes of this subsection, the 'reduction period' for an individual's old-age, wife's or husband's insurance benefit is the period—

"(A) beginning—

"(i) in the case of an old-age or husband's insurance benefit, with the first day of the first month for which such individual is entitled to such benefit, or

"(II) in the case of a wife's insurance benefit, with the first day of the first month for which a certificate described in paragraph (4) (A) (I) is effective, and

"(B) ending with the last day of the month before the month in which such individual attains age 65.

"(E) For purposes of this subsection, the 'adjusted reduction period' for an individual's old-age, wife's, or husband's insurance benefit is the reduction period prescribed by paragraph (5) for such benefit, excluding from such period—

"(A) any month in which such benefit was subject to deductions under section 203 (b) 203 (c) (1), 203 (d) (1), or 222 (b),

"(B) in the case of wife's insurance benefits, any month in which she had in her care (individually or jointly with the person on whose wages and self-employment income such benefit is based) a child of such person entitled to child's insurance benefits, and

"(C) in the case of wife's or husband's insurance benefits, any month for which such individual was not entitled to such benefits because the spouse on whose wages and self-employment income such benefits were based ceased to be under a disability.

"(7) This subsection shall be applied after reduction under section 203(a) and after application of section 215(g). If the amount of any reduction computed under paragraph (1) or (2) is not a multiple of $0.10, it shall be reduced to the next lower multiple of $0.10.

"Reserved Filing of Application by Individuals Eligible for Old-Age Insurance Benefits and for Wife's or Husband's Insurance Benefits

"(r) (1) If the first month for which an individual is entitled to an old-age insurance benefit is a month before the month in which such individual attains age 65, and if such individual is eligible for a wife's or husband's insurance benefit for such first month, such individual shall be deemed to have filed an application in such month for wife's or husband's insurance benefits.
"(2) If the first month for which an individual is entitled to a wife’s or husband’s insurance benefit reduced under subsection (q) is a month before the month in which such individual attains age 65, and if such individual is eligible for an old-age insurance benefit for such first month, such individual shall be deemed to have filed an application for old-age insurance benefits—

(A) in such month, or

(B) if such individual is also entitled to a disability insurance benefit for such month, in the first subsequent month for which such individual is not entitled to a disability insurance benefit.

(3) For purposes of this subsection, an individual shall be deemed eligible for a benefit for a month if, upon filing application therefor in such month, he would be entitled to such benefit for such month.”

(2) (A) Section 202(s) of the Social Security Act is hereby repealed.

(B) Section 223(a) of such Act is amended by adding at the end thereof the following new paragraph:

(3) If, for any month before the month in which an individual attains age 65, such individual is entitled to—

(A) a widow’s, widower’s, or parent’s insurance benefit, or

(B) an old-age, wife’s or husband’s insurance benefit which is reduced under subsection (q), such individual may not, for any month after the first month for which such individual is so entitled, become entitled to disability insurance benefits; and a period of disability may not begin with respect to such individual in any month after such first month.”

(C) Section 223(a)(1) of such Act is amended by striking out “the month in which he attains the age of sixty-five,” and inserting in lieu thereof “the month in which he attains age 65, the first month for which he is entitled to old-age insurance benefits,”.

(D) The third sentence of section 216(i) (2) of such Act is amended by striking out “a period of disability shall begin” and inserting in lieu thereof “a period of disability shall (subject to section 223(a)(3)) begin”.

(3) Section 202(j) (3) of such Act is amended to read as follows:

(3) Notwithstanding the provisions of paragraph (1), an individual may, at his option, waive entitlement to any benefit referred to in paragraph (1) for any one or more consecutive months (beginning with the earliest month for which such individual would otherwise be entitled to such benefit) which occur before the month in which such individual files application for such benefit; and, in such case, such individual shall not be considered as entitled to such benefits for any such month or months before such individual filed such application. An individual shall be deemed to have waived such entitlement for any such month for which such benefit would, under the second sentence of paragraph (1), be reduced to zero.”

(c) (1) Section 216(a) of the Social Security Act is hereby repealed.

(2) The following provisions of title II of such Act are amended by striking out “retirement age” each place it appears therein and inserting in lieu thereof “age 62”:

(A) the next to the last sentence of section 213(a),

(B) subsections (b), (c), (f), and (g) of section 216, and

(C) the second sentence of section 223(a) (2).

(3) The following provisions of title II of such Act are amended by striking out “retirement age” and “retirement age (as defined in section 216(a))” each place they appear therein and inserting in lieu thereof “age 62 (if a woman) or age 65 (if a man)”:

(A) section 209(t),

(B) the last sentence of section 213(a),

(C) section 216(1) (3) (A),

(D) the first sentence of section 223(a) (2), and

(E) section 223(c) (1) (A).

(d) (1) Section 215(a) (4) of such Act is amended to read as follows:

(4) In the case of—

(A) a woman who was entitled to a disability insurance benefit for the month before the month in which she died or became entitled to old-age insurance benefits, or

(B) a man who was entitled to a disability insurance benefit for the month before the month in which he died or attained age 65, the amount in column IV which is equal to such disability insurance benefit.”
(2) Section 215(b) (3) of such Act is amended to read as follows:

“(3) For purposes of paragraph (2), the number of an individual's elapsed years is the number of calendar years after 1950 (or, if later) the year in which he attained age 65) and before—

“(A) in the case of a woman, the year in which she died or (if earlier) the first year after 1960 in which she both was fully insured and had attained age 65,

“(B) in the case of a man who has died, the year in which he died or (if earlier) the first year after 1960 in which he both was fully insured and had attained age 65, or

“(C) in the case of a man who has not died, the first year after 1960 in which he attained (or would attain) age 65 or (if later) the first year in which he was fully insured.

For purposes of the preceding sentence, any calendar year any part of which was included in a period of disability shall not be included in such number of calendar years.'

(3) Section 215(f) of such Act is amended by adding at the end thereof the following new paragraph:

“(7) (A) In the case of a man who attains age 65 and who became entitled to old-age insurance benefits before the month in which he attains such age, his primary insurance amount shall be recomputed as provided in subsection (a) as though he became entitled to old-age insurance benefits in the month in which he attained age 65, except that his computation base years referred to in subsection (b) (2) shall include the year in which he attained age 65. Such recomputation shall be effective for and after the month in which he attained age 65.

“(B) In the case of a man who became entitled to old-age insurance benefits and died before the month in which he attained age 65, the Secretary shall, if any person is entitled to monthly insurance benefits or a lump-sum death payment on the basis of the wages and self-employment income of the decedent, recompute his primary insurance amount as provided in subsection (a) as though he became entitled to old-age insurance benefits in the month in which he died; except that (1) his computation base years referred to in subsection (b) (2) shall include the year in which he died, and (2) his elapsed years referred to in subsection (b) (3) shall not include the year in which he died or any year thereafter. In the case of monthly insurance benefits, such recomputation of a man's primary insurance amount shall be effective for and after the month in which he died.'

(e) (1) Section 202(b) (1) (O) of such Act is amended to read as follows:

“(O) is not entitled to old-age or disability insurance benefits, or is entitled to old-age or disability insurance benefits based on a primary insurance amount which is less than one-half of the primary insurance amount of her husband.

(2) So much of section 202(b) (1) of such Act as follows clause (O) is amended by striking out "equal to or exceeds one-half of an old-age or disability insurance benefit of her husband," and inserting in lieu thereof "equal to or exceeds one-half of the primary insurance amount of her husband.

(3) Section 202(b) (2) of such Act is amended by striking out "old-age or disability insurance benefit" and inserting in lieu thereof "primary insurance amount".

(4) Section 202(c) (1) (D) of such Act is amended to read as follows:

“(D) is not entitled to old-age or disability insurance benefits, or is entitled to old-age or disability insurance benefits based on a primary insurance amount which is less than one-half of the primary insurance amount of his wife.

(5) So much of section 203(c) (1) of such Act as follows clause (D) is amended by striking out "old-age or disability insurance benefit equal to or exceeding one-half of the primary insurance amount of his wife," and inserting in lieu thereof "old-age or disability insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of the primary insurance amount of his wife.

(6) Section 202(c) (3) of such Act is amended by striking out "Such" and Inserting in lieu thereof "Except as provided in subsection (q), such".

(f) (1) The amendments made by subsection (a) shall apply with respect to monthly benefits for months beginning on or after the effective date of this title (see section 106) based on applications filed in or after March 1961.
social security benefits

(2) (A) Except as provided in subparagraphs (B), (C), and (D), section 202(q) of such Act, as amended by subsection (b)(1), shall apply with respect to monthly benefits for months beginning on or after the effective date of this title.

(B) Section 202(q)(3) of such Act, as amended by subsection (b)(1), shall apply with respect to monthly benefits for months beginning on or after the effective date of this title, but only if the increase described in section 202(q)(3)—

(1) is not effective for any month beginning before the effective date of this title, or

(2) is based on an application for a recomputation filed on or after the effective date of this title.

(C) In the case of any individual who attained age 65 before the effective date of this title, the adjustment in such individual's reduction period provided for in section 202(q)(6) of such Act, as amended by subsection (b)(1), shall not apply to such individual unless the total of the months specified in subparagraphs (A), (B), and (C) of such section 202(q)(6) is not less than 3.

(D) In the case of any individual entitled to a monthly benefit for the last month beginning before the effective date of this title, if the amount of such benefit for any month thereafter is, solely by reason of the change in section 202(r) of such Act made by subsection (b)(1), lower than the amount of such benefit for such last month, then it shall be increased to the amount of such benefit for such last month.

(3) Section 202(r) of such Act, as amended by subsection (b)(1), shall apply only with respect to monthly benefits for months beginning on or after the effective date of this title, except that subparagraph (B) of section 202(r)(2) (as so amended) shall apply only if the first subsequent month described in such subparagraph (B) is a month beginning on or after the effective date of this title.

(4) The amendments made by subsection (b)(2) shall take effect on the effective date of this title.

(5) The amendments made by subsection (b)(3) shall apply with respect to applications for monthly benefits filed on or after the effective date of this title.

(6) The amendments made by subsections (c) and (d)(1) and (2) shall apply with respect to—

(A) monthly benefits for months beginning on or after the effective date of this title based on applications filed in or after March 1961, and

(B) lump-sum death payments under title II of the Social Security Act in the case of deaths on or after the effective date of this title.

(7) The amendment made by subsection (d)(3) shall take effect on the effective date of this title.

(8) The amendments made by subsection (e) shall apply with respect to monthly benefits for months beginning on or after the effective date of this title.

(9) For purposes of this subsection, the term "monthly benefits" means monthly insurance benefits under title II of the Social Security Act.

fully insured status

Sec. 103. (a) Section 214(a) of the Social Security Act is amended to read as follows:

"fully insured individual"

(a) The term 'fully insured individual' means any individual who had not less than—

"(1) one quarter of coverage (whenever acquired) for each calendar year elapsing after 1950 (or, if later, the year in which he attained age 21) and before—

"(A) in the case of a woman, the year in which she died or (if earlier) the year in which she attained age 62,

"(B) in the case of a man who has died, the year in which he died or (if earlier) the year in which he attained age 65, or

"(C) in the case of a man who has not died, the year in which he attained (or would attain) age 65,

except that in no case shall an individual be a fully insured individual unless he has at least 6 quarters of coverage; or

"(2) 40 quarters of coverage; or"
"(3) In the case of an individual who died before 1951, 6 quarters of coverage; not counting as an elapsed year for purposes of paragraph (1) any year any part of which was included in a period of disability (as defined in section 216(1))."  

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

(1) in the case of monthly benefits under title II of the Social Security Act for months beginning on or after the effective date of this title (see section 103), based on applications filed in or after March 1961.  

(2) in the case of lump-sum death payments under such title with respect to deaths on or after the effective date of this title, and  

(3) in the case of an application for a disability determination (with respect to a period of disability, as defined in section 216(1) of such Act) filed in or after March 1961.  

(c) In the case of any widower or parent who would not be entitled to widower's insurance benefits under section 202(f), or parent's insurance benefits under section 202(h), of the Social Security Act except for the enactment of this Act (other than this subsection), the requirement in sections 202(f) (1) (D) and 202(h) (1) (B), respectively, of the Social Security Act relating to the time within which proof of support must be filed shall not apply if such proof of support is filed before the close of the 2-year period which begins on the effective date of this title.  

(d) Effective as of September 12, 1960, the last sentence of section 303(g) (1) of the Social Security Amendments of 1960 is amended to read as follows: "The terms used in this subsection shall have the meaning assigned to them by title II of the Social Security Act; except that the terms 'fully insured' and 'retirement age' shall have the meaning assigned to them by such title II as in effect on September 12, 1960."  

INCREASE IN WIDOW'S, WIDOWER'S, AND PARENT'S INSURANCE BENEFITS  

Sec. 104. (a) Section 202(e) (2) of such Act is amended to read as follows: "(2) Such widow's insurance benefit for each month shall be equal to 821/2 percent of the primary insurance amount of her deceased husband."  

(b) Section 202(f) (3) of such Act is amended to read as follows: "(3) Such widow's insurance benefit for each month shall be equal to 821/2 percent of the primary insurance amount of her deceased husband."  

(b) Section 202(f) (8) of such Act is amended to read as follows: "(3) Such widow's insurance benefit for each month shall be equal to 821/2 percent of the primary insurance amount of her deceased husband."  

(c) Section 202(h) (2) of such Act is amended to read as follows: "(2) (A) Except as provided in subparagraph (B) and (C), such parent's insurance benefit for each month shall be equal to 821/2 percent of the primary insurance amount of such deceased individual.  

"(B) For any month for which more than one parent is entitled to parent's insurance benefits on the basis of such deceased individual's wages and self-employment income, such benefit for each such parent for such month shall (except as provided in subparagraph (C)) be equal to 75 percent of the primary insurance amount of such deceased individual.  

"(C) In any case in which—  

"(i) any parent is entitled to a parent's insurance benefit for a month on the basis of a deceased individual's wages and self-employment income, and  

"(ii) another parent of such deceased individual is entitled to a parent's insurance benefit for such month on the basis of such wages and self-employment income, and on the basis of an application filed after such month and after the month in which the application for the parent's benefits referred to in clause (i) was filed,  

the amount of the parent's insurance benefit of the parent referred to in clause (i) for the month referred to in such clause shall be determined under subparagraph (A) instead of subparagraph (B) and the amount of the parent's insurance benefit of a parent referred to in clause (ii) for such month shall be equal to 150 percent of the primary insurance amount of the deceased individual minus the amount (before the application of section 203 (a)) of the benefit for such month of the parent referred to in clause (i)."

(d) (1) Subsections (e) (1) and (f) (1) of section 202 of such Act are amended by striking out "three-fourths" each place it appears therein and inserting in lieu thereof "821/2 percent".
(2) Section 202(h) (1) of such Act is amended by striking out "three-fourths of the primary insurance amount of such deceased individual" each place it appears therein and inserting in lieu thereof "82 1/2 percent of the primary insurance amount of such deceased individual if the amount of the parent's insurance benefit for such month is determinable under paragraph (2) (A) (or 75 percent of such primary insurance amount in any other case)".

(e) The amendments made by this section shall apply with respect to monthly benefits under section 202 of the Social Security Act for months beginning on or after the effective date of this title (see section 105).

(f) Where—

(1) two or more persons were entitled (without the application of subsection (j) (1) of section 202 of the Social Security Act) to monthly benefits under such section 202 for the last month beginning before the effective date of this title on the basis of the wages and self-employment income of a deceased individual, and one or more of such persons is entitled to a monthly insurance benefit under subsection (e), (f), or (h) of such section 202 for such last month; and

(2) no person, other than the persons referred to in paragraph (1) of this subsection, is entitled to benefits under such section 202 on the basis of such individual's wages and self-employment income for a subsequent month or for any month after such last month and before such subsequent month; and

(3) the total of the benefits to which all persons are entitled under such section 202 on the basis of such individual's wages and self-employment income for such subsequent month is reduced by reason of the application of section 203(a) of such Act, then the amount of the benefit to which each such person referred to in paragraph (1) of this subsection is entitled for such subsequent month shall be determined without regard to this Act if, after the application of this Act, such benefit for such month is less than the amount of such benefit for such last month. The preceding provisions of this subsection shall not apply to any monthly benefit of any person for any month beginning after the effective date of this title unless paragraph (3) also applies to such benefit for the month beginning on such effective date (or would so apply but for the next to the last sentence of section 203(a) of the Social Security Act).

RETROACTIVE EFFECT OF CERTAIN APPLICATIONS FOR DISABILITY DETERMINATIONS

Sec. 105. Effective with respect to applications for disability determinations filed on or after the date of the enactment of this Act, section 216(1)(4) of the Social Security Act is amended by striking out "July 1961" and inserting in lieu thereof "July 1962" and by striking out "July 1960" and inserting in lieu thereof "January 1961".

EFFECTIVE DATE

Sec. 106. Except as otherwise provided, the effective date of this title is the first day of the first calendar month which begins on or after the 30th day after the date of the enactment of this Act.

TITLE II—AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1954

CHANGES IN TAX SCHEDULES

Self-Employment Income Tax

Sec. 201. (a) Section 1401 of the Internal Revenue Code of 1954 (relating to rate of tax on self-employment individual, a tax as follows:

"SEC. 1401. RATE OF TAX.

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

"(1) In the case of any taxable year beginning after December 31, 1961, and before January 1, 1963, the tax shall be equal to 41 1/2 percent of the amount of the self-employment income for such taxable year;

"(2) In the case of any taxable year beginning after December 31, 1962, and before January 1, 1966, the tax shall be equal to 54 3/4 percent of the amount of the self-employment income for such taxable year;"
"(3) In the case of any taxable year beginning after December 31, 1965, and before January 1, 1969, the tax shall be equal to 61/96 percent of the amount of the self-employment income for such taxable year; and

"(4) In the case of any taxable year beginning after December 31, 1968, the tax shall be equal to 01/16 percent of the amount of the self-employment income for such taxable year."

**Tax on Employees**

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

"SEC. 3101. RATE OF TAX.

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

"(1) with respect to wages received during the calendar year 1962, the rate shall be 31/2 percent;

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

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

"(4) with respect to wages received after December 31, 1968, the rate shall be 4 percent."

**Tax on Employers**

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

"SEC. 3111. RATE OF TAX.

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

"(1) with respect to wages paid during the calendar year 1962, the rate shall be 31/2 percent;

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

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

"(4) with respect to wages paid after December 31, 1968, the rate shall be 4 percent."

**Effective dates**

(d) The amendment made by subsection (a) shall apply with respect to taxable years beginning after December 31, 1961. The amendments made by subsections (b) and (c) shall apply with respect to remuneration paid after December 31, 1961.

**TITLE III—MISCELLANEOUS**

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

Sec. 301. Section 1(q) of the Railroad Retirement Act of 1937 is amended by striking out "1960" and inserting in lieu thereof "1961".

Passed the House of Representatives April 20, 1961.

Attest:

RALPH R. ROBERTS, Clerk.

**BRIEF SUMMARY OF PRINCIPAL PROVISIONS OF H.R. 6027**

(1) Minimum monthly retirement benefit increased from $33 to $40. (Estimated cost first year $170 million.)

(2) Retirement age for men lowered to 62 with reduced benefits, same as women now. (Estimated cost first year $440 million.)

(3) Insured status requirement liberalized. Worker would be fully insured if he has one-quarter of coverage for every year elapsing after 1950 (or after year in which he attained age 21, if that is later) and up to year of disability, death, or attainment of age 65 for men, 62 for women, instead of one-quarter
coverage for every three calendar quarters elapsing as required under present law. (Estimated cost first year $15 million.)

(4) Survivor benefits paid to widows, widowers, and dependent children increased from 15 percent to 82% of worker's retirement benefit—a 10 percent increase for such persons. (Estimated cost first year $105 million.)

(5) Extends for 1 year—through June 30, 1962—the time within which insured workers with longstanding disabilities may file applications for disability protection and have period begin as early as time when his disability began. (Intended to allow more time for persons who have only recently—through the 1960 amendment eliminating the 30-year age requirement for disability benefits—become eligible for monthly disability benefits to file for such benefits.)

(6) Effective dates for above benefit provisions—effective generally 1st month that begins on or after the 30th day after date of enactment.

Cost—Level premium increase in cost of bill, 0.25 percent of payroll.

Financing—Beginning in 1962 contribution rate increased one-eighth of 1 percent each for employee and employer and three-sixteenths of 1 percent for self-employed. Level-premium equivalent of the income from the increase in contribution rates is 0.25 percent of payroll.

The Chairman. The Secretary of Health, Education, and Welfare, the Honorable Abraham Ribicoff, is unable to appear today because of a Cabinet meeting. He will appear tomorrow to give the administration's views.

Congressman Bennett, will you please come forward, sit down, sir, and proceed. We are very glad to have you here today.

STATEMENT OF HON. JOHN B. BENNETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. Bennett. Thank you, Mr. Chairman and members of the committee. I appreciate the opportunity to appear here this morning.

My name is John B. Bennett, and I have for some years represented the 12th District of Michigan in the House of Representatives. I am here to submit for the committee's consideration, your committee's consideration, H.R. 4389, and urgently request that the committee approve it when writing your bill.

As you gentlemen know better than I, a quarter of coverage for social security purposes is a quarter in which an individual has been paid $50 or more in wages, and in the case of agricultural labor, a quarter of coverage results from each $100 in cash wages paid in a calendar year with, of course, the limitation that no more than four quarters of coverage can be acquired in any 1 calendar year.

This matter was called to my attention when one of my constituents, who is afflicted with an incurable disease and has been totally disabled since the fall of 1959, when this matter came to my attention.

Her status from the standpoint of medical condition and other criteria to qualify her for benefits under the disability insurance program under the Social Security Act are all in order.

However, she is unable to qualify because she had only 19 quarters of recognized coverage during the 40-quarter period ending on the date of disability. The qualifying 20th quarter of coverage was actually a period of work by my constituent, but because she did not actually receive her pay until the following quarter, the quarter was not recognized for the purpose of benefit eligibility.
That is the essence of the problem, and the amendment to the law that I propose, will cure this discrimination.

In my opinion, a quarter of coverage should not be conditioned on the payment of wages in a particular quarter if, in fact, the wages were earned in that quarter.

I may say, parenthetically, that the Social Security Administrator has advised me that there are several thousands of cases, similar cases, of disabled people whose benefits have been denied for this reason.

In the month of March, in this particular instance, in the month of March 1953, my constituent earned $70.99, of which $19.45 was actually paid for that month. The remaining $51.54 was not paid until April 3, in other words, five days after the wages had been earned, because of the employer’s practice of not paying employees for that length of time after the termination of semimonthly work.

As a consequence, the payment of $51.54 did not occur until the second quarter of 1953, even though it was earned in the first quarter. This meant she was paid only $19.45 in the calendar quarter ending March 31, 1953, and, therefore, it is not under present law regarded as a quarter of coverage, and for that reason she has been disqualified for benefits.

Mr. Chairman, this constituent of mine is totally disabled and is in need of social security benefits toward which she has contributed during her working lifetime.

The technicality that requires the payment of wages in the quarter, as distinguished from the earning of the wages, should be removed from our law because of the way in which it discriminates against many of our deserving citizens.

I hope that you will take the time to look into the further details on this subject, and I also hope that you will question the social security people about it, because, as I say, while my concern primarily is with the people I represent; my own constituent in this case, whose situation has pointed up this inequity in the law, I do think that it is a situation that ought to be corrected in order to take care of many thousands of other cases now, in the past, and in the future.

As it stands today, a person may earn the qualifying earnings in the period, not be paid for weeks or months later, and for that reason be disqualified.

I think the practical realities of the situation ought to dictate when the person has worked and earned the money in the particular period, in that period, the credit ought to be given, irrespective of the time that the wage earner is actually able to collect the wages so earned.

I thank you very much, Mr. Chairman.

The Chairman. Thank you very much, Congressman.

We, and also the staff of the committee, will bring it up when we consider it in executive session.

Mr. BENNETT. Mr. Chairman, I ask unanimous consent to revise my remarks for the record, and also to include, following my remarks, a copy of the bill, H. R. 4389, for the record.

The Chairman. Without objection, it will be so ordered.

Mr. BENNETT. Thank you, sir.
A BILL To amend title II of the Social Security Act to provide that, for purposes of disability insurance benefits and the disability freeze, quarters of coverage may be determined on the basis of the period during which wages were earned rather than the period during which paid.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 213(a) (2) (B) of the Social Security Act is amended by adding at the end thereof the following new sentence: "If, in the case of an individual who did not die prior to July 1, 1960, and who is under a disability (as defined in section 223(c) (2)), the requirements in sections 223(c) (1) and 216(1) (3) (B) are not met because of his having too few quarters of coverage within the forty-quarter period described in such sections but would be met if one or more of his quarters of coverage had been determined on the basis of the period during which wages were earned rather than on the basis of the period during which wages were paid (any such wages paid that are reallocated on an earned basis not being used in determining subsequent quarters of coverage), then upon application filed by the individual or his survivors and satisfactory proof of his record of wages earned being furnished by such individual or his survivors, such one or more quarters of coverage may be determined on the basis of the period or periods during which wages were earned."

SEC. 2. The amendment made by the first section of this Act shall apply only with respect to monthly insurance benefits under title II of the Social Security Act for months after the month in which this Act is enacted, and with respect to periods of disability under such title which begin on or after the date of the enactment of this Act or which began before the date of the enactment of this Act and have not ended on or prior to such date.

The CHAIRMAN. The next witness is John E. Carroll, National Association of Manufacturers.

Mr. CARROLL. Thank you very much, Senator Byrd, and gentlemen. The CHAIRMAN. Take a seat.

STATEMENT OF JOHN E. CARROLL, CHAIRMAN, EMPLOYEE HEALTH AND BENEFITS COMMITTEE, NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. CARROLL. I am here representing the National Association of Manufacturers. My name is John Carroll. My job is president of the machinery builder called American Hoist and Derrick Co., with head offices in St. Paul, Minn.

We have seven plants in six different States; we employ about 2,200 people.

I am a director of the NAM, and I am chairman of its Employee Health and Benefits Committee.

NAM is an association composed of more than 19,000 member companies. Eighty percent of these companies actually employ fewer than 500 people each, and half of these firms employ less than 100 people.

So this is a good cross section of American business that I represent here today.

I also feel that I am representing, in spirit, the 2,200 employees of our company. I want you to know that we are possibly a little bit more alarmed about this matter than some manufacturers would be, in all fairness, because we are a category of manufacturer that must compete with other manufacturers based outside the United States, and we have charged our Representatives in the Congress and
our representatives in our legislatures where we operate, with the responsibility of allowing us to compete on an international basis.

My personal reaction to this is that we must, as a manufacturer, resist anything that adds to our costs at a time when the same factors are not being added to the costs of our international competitors.

I want you to know that I do appreciate the opportunity to express the views of NAM, which are my views, on the proposed amendments to OASDI contained in H.R. 6027.

These proposals are of significance to us as citizens who favor continued reliance on the individual and on the family as the major source of financial security. But these proposals, gentlemen, are also of great significance to all of us as businessmen simply because we are payroll makers, and the payroll maker must be allowed to maintain full employment of his people and must be allowed the opportunity to expand the employment, because I think the only real solution to all of this is putting people back to work.

As we understand it, out in the provinces, anyway, the original purpose of the social security law, and the only justification for its compulsory sharing of income of producers with nonproducers, is to provide a basic floor of protection to individuals who suffer an income loss by virtue of old age, disability, or death of the family breadwinner. It is intended as a permanent program, not as an emergency program; and it seems to us that some of the provisions of H.R. 6027 sort of challenge this time-honored belief.

Speaking of the objectives for a minute of social security, as we see them, in examining today's social security program, and in contemplating the effects tomorrow of the proposals before us, we find small resemblance to what we think was the original purpose.

Each liberalization brings us closer to the point where retirement becomes a financial boon, underwritten by those who are still employed.

The real danger, it seems to us, in such a system of compulsory income redistribution, lies in the unfortunate fact that the public seems to be unaware of the true nature of the beast.

Encouraged by the publications of those who administer OASDI, the public has been sold on the distortion that the system operates like true insurance, returning benefits which have been paid for by the individual through payroll taxation.

We hold this to be a misconception, and we hold it to be a misconception that generates wide popular support for increased liberalizations, though they might be considered unnecessary and financially unsound.

I return again to the thought that particularly in the capital goods business, we must be allowed by our Government to compete with foreign competition. We are in almost a death struggle in our industry, which is down 50 percent from its peak in 1956; we, building highway construction equipment and large hoisting machines, must be allowed, gentlemen, to compete, and the added costs, regardless of the emotional appeal, are costs that keep penalizing us from doing our normal volume of business in the markets of the world.

We are, right in our own backyards, today fighting a losing fight with capital goods producers from West Germany, the United King-
dom, and we have not yet received the impact of the capital goods producers in countries like Japan.

So we believe the time has come to suggest to you gentlemen a careful reexamination of the original purposes of this legislation.

The proposed amendments contained in H.R. 6027 present an opportunity to realign objectives, and balance equities between claimants and producers.

If benefits are to be handed out, we would like to recommend that the situation of each type of claimant be judged in relation to groups with greater needs. If retirement is to be made more attractive, we would first inquire whether the world situation justifies a substantial lessening of experienced, skilled American manpower, for example.

In our own business, although we do admittedly have some extra-stanch Scandinavian and German people as the hard core of our work force in our several plants, we do need our journeymen. We do not need to contemplate the ultimate retirement of a man at 62. Our very best journeymen, the only source of a well-trained craft, are actually, without exception, in our mother plant, over 62 years of age.

We would like to pause then for a long look down the road ahead and be sure that we do not do some things here that are harmful to the economy and which might tend to lead us into a more dangerous socialistic situation than any of us can now foresee.

So, with respect to H.R. 6027, we must determine whether these proposals are desirable in view of the system's original objectives, and whether they are necessary or desirable at the present time and, perhaps, there might be some reason to say that the proposed amendments and corrections are fair to all the groups of claimants which, of course, I am sure you gentlemen do not wish to enter into.

Page 22 in the printed report of the House Ways and Means Committee's executive hearings preliminary to reporting out the pending bill, contains a very significant item furnished by Mr. Ribicoff.

In estimating the increase in Federal payments to be made beginning April 1961 as a result of the administration's economic recovery program, Mr. Ribicoff includes improvements in the OASDI program along with extension of temporary unemployment insurance and aid to dependent children.

This reveals an intent to use the permanent social security system as a device to cure a temporary economic need; and NAM and its members overwhelmingly oppose such tinkering with OASDI for a purpose wholly inconsistent with its prescribed objectives.

There is some comment that I feel needs to be made on specific proposals, and the first one I would like to mention is the reduced retirement age for men.

You know quite a lot about this, and you will realize that H.R. 6027 would reduce the retirement age of men to 62 years on a so-called actuarially adjusted basis.

It is not my business to debate whether the proposed basis is actuarially sound or not, but it would certainly seem to require further examination. The proposed change, in any case, would provide first year benefits amounting to $440 million for approximately 560,000 beneficiaries.

It is strange, indeed, to see this proposal made at a time when life expectancy is on the rise. But in any case, we do not find it very
consistent with the cost of the bombardment that we have had in our company and our contemporaries have had in their businesses, with the State, city, and the civic people all saying that the oldster has his place in business; this does not seem to make very good sense to us out in the Middle West anyway.

There was something said at the White House Conference on Aging, and I think it refutes some of the thinking behind this earlier alternate retirement, and I might quote this:

There was a consensus that because employment is so important to the older person, not only for self-support and independence, but also for healthful living and self-respect—

In any event, it claims that we, as manufacturers and business people, should certainly respect the needs of the aging citizen, and hiring where we have work that he can do.

The NAM submits that the problem is to find useful employment for vigorous men of 62. In other words, full employment of the eligible labor force, and not to encourage people at 62 to retire, but to get an atmosphere so that we can hire them and keep them busy in useful and productive tasks within the fabric of our whole free enterprise system.

If the retirement age for men is lowered to 62, it is obviously going to be difficult for them to find jobs, and it might place a whole new emphasis on not hiring old people which I, for one, and many of my contemporaries in business, have attempted to promote in our kinds of business.

As a matter of fact, although it does not have too much significant bearing—I think we are talking here about the cases of individuals—we have 78 people in our mother plant in St. Paul, Minn., over 70 years of age, and they are worthwhile workers today, and they are doing a good job as citizens in the economy.

This particular proposal has the advanced billing as a plan to ease the unemployment problem, and I would like to question that. Unemployment is a problem that should be called by its right name, and solved by appropriate measures.

We think the appropriate measures here are a business atmosphere that promotes full employment. As the head of a business which I have tried to run, we have, for 8 or 9 years, tried to hire people, we tried to keep our people employed. So I beg of you again, and repeat for obvious purposes of emphasis, allow the payroll maker to compete, and we will have the full employment that will eliminate the necessity of this type of misconception being promoted as a good logical thing.

Proponents of retirements at 62 for men are also heard to argue that discrimination on grounds of sex must be avoided at all costs and that since women may now retire at 62, so must men be able to do so. It is not my business to state how men and women differ, but I do not think consistency between the sexes really is a very strong banner for people to carry through the Halls of Congress here talking about these measures.

As a matter of fact, OASDI contains a number of built-in discriminations which recognize the fact that typically a wife and children are dependent upon the father as a breadwinner.

For example, for a husband to receive benefits based on his wife's wage record, that is pretty severely qualified. Similarly a child is
deemed to be dependent upon its father unless the father was neither living with nor contributing to the support of the child, and so forth.

These presently accepted discriminations, the NAM believes—we do not have any argument about abuse, and we would not want to advocate elimination of the so-called discriminations, but we do not think the idea of discrimination is new to this legislation.

The proposed age reduction from 65 to 62 for men is stated in the Ways and Means Committee report to have a zero effect on long-range costs of the system. This might be debatable and worthy of your examination.

I think the most important factor which has been ignored is this: If he retires after 65 he has paid for the years 62 through 65; if he retires at 62, obviously, he is not going to pay.

So this probably means smaller average wages, and hence smaller benefits than under the existing law.

Another factor is that after early retirement is established, the reduction in benefit provision is likely to be scrapped because of the floor of protection argument, because it might be debated if a man needs money to retire at 65, and it is not any too high now; we will admit, that he should not have less at 62 because he is not going to eat any less, because he got through at 62 than if he got through at 65.

There is also a clause in here as to an increase in widow's benefits. While I did not come here from St. Paul, Minn., to discuss with you the broad subject of widowhood, I think that it is interesting that this proposed increased benefit would affect some 1,525,000 people the first year, at a new cost of $105 million. Again the payroll maker protests.

Although some people still insist on discussing OASDI in terms of insurance, NAM has, and still does believe, that the system has become a compulsory sharing of wealth for social purposes. This being the case, it is vital that Congress carefully weigh the equities of all the various groups contending for a share of the estimated $12 billion proposed to be distributed annually after enactment of H.R. 6027.

Your talks, I suppose, is to determine which claims call for the more generous treatment, and how much additional income is to be transferred from the productive to the nonproductive.

You have copies of this paper before you and there is an interesting development on page 6 as to this whole matter of retired women and aged widows. Actually the widow does not seem to be in an under-privileged for many, many reasons, and I hope that you will ignore some of the things that have been said to the contrary.

Under the proposal, wives could look forward to average widow’s benefits just $2.40 larger than the benefits of retired women. This seems to be the greatest inequity of all.

When consideration is given to increasing benefits above the proposed minimum for aged widows, widowers and parents, other classes also require careful consideration, otherwise the result may be that their equally and possibly superior claim for liberalization may be overlooked.

All these changes again add to the costs of the program, add to the competitive burden on the payroll maker, particularly the payroll maker who must depend for his very livelihood on his ability to compete with foreign-based operations.
As a matter of fact, consideration might properly be given by you gentlemen to widows, widowers, and parents, and with them other beneficiaries such as workingwomen whose benefits are based on wages back to 1936.

Here, as I understand all of this, there is a major disparity.

Again in this paper you will see some figures calculated to show you at a glance what has happened as far as a differential between the two classes of retirees and the time which is concerned here, which is really an inequity.

The presently proposed maximum widow's benefit of $104.80 would be paid to a very substantial fraction of future widows, incidentally, but experience shows that only a small fraction of women workers average the $3,600 per year which would yield them benefits of this size.

In the usual course of events, a widow would find herself with such assets as a home, life insurance proceeds, her deceased husband's personal property and, perhaps, children who would still contribute to her support. The retired woman, on the other hand, seldom has such assets to fall back upon in time of need, but she is the one who has contributed by her labor to the support financially of this program.

So I do not think that this proposal really is the thing that corrects inequities. It might be causing some.

So we would urge Congress to carefully weigh the equities involved, and would caution against hasty action that may create further inequities which may have to be corrected in the future with more taxes, with higher outlays, with greater penalty again to the manufacturer, at least, of capital goods.

We urge Congress to look at all the claimants for social justice, particularly the retired workingwomen and those older retirees, both men and women, whose benefits are based on pre-1950 earnings.

We hope you will be careful not to raise the payroll taxes under any circumstances and for any purpose. I again say that regardless of the emotional appeal of a tax that is imposed upon the payroll maker, the effect on his ability to hire people is the same.

Going on, and this won't be much longer, the eligibility change for insured status, under H.R. 6027 would liberalize eligibility for benefits by granting insured status to persons having one quarter of covered worth for each four calendar quarters after 1960.

It will be recalled that some correction was made in 1960, and this requirement was liberalized from one quarter of coverage to two elapsed quarters after 1950. Thus if this new bill is enacted, the eligibility requirements will have been 1960, and this requirement was liberalized from one quarter of coverage to two elapsed quarters after 1950. Thus if this new bill is enacted, the eligibility requirements will have been halved within 2 years, and this is a pretty speedy correction of matters when you consider that the cost is both real and tangible to the person who has to put up the money for the payroll, in the first place.

The proposed change would add, incidentally here, about 160,000 people to the benefit rolls during the first year, with an estimated cost of $65 million. This, of course, is in addition to some 400,000 people who will be added to the rolls as a result of the 1960 amendments.
The proposal, together with the proposal to reduce the retirement age for men, would, in effect, reduce the required quarters of coverage from 13 to 7, again accelerating costs.

The NAM is opposed to further liberalization of coverage because it is a further departure from the contributory principle and the wage-loss theory of benefits. But we simply feel the thing is going on too rapidly.

There is also in here something that cannot be ignored in a complete presentation of the matter. This has to do with the increase in minimum benefits. H.R. 6027 proposes to increase the minimum benefit from $33 to $40, with corresponding adjustments in family benefits and so forth.

This proposed change here would increase benefits for 2,175,000 people and would cost $170 million the very first year.

Here again the cost of providing these benefits is what we are talking about. This huge potential gap between contributions and benefits may be justified on grounds of social welfare for the most needy, but at the same time we would point out the danger of a chain reaction for higher benefits up the line. We are a little frightened.

A proportionate increase in maximum benefits would result in a $160 per month primary benefit, and a $240 per month husband-and-wife benefit.

On page 88 of the printed record of the executive hearings that I have on the present legislation, Mr. Mills apparently inquired whether it would not be necessary to raise the wage base to $7,200 just to restore the proper or historic relationship between minimum and maximum benefits.

Mr. Cohen stated—and I quote it, and I will let you have that quotation from the paper. There is no particular reason for my reading it. I think you are as familiar with it as am I.

Then, in conclusion, regarding the liberalization of disability benefits, the bill now before the committee contains no proposals relating to further liberalization of disability benefits.

However, the administration did propose in H.R. 4571 to eliminate the requirement that a disability be expected to result in death or to continue for a long and indefinite period in order for the disabled person to get benefits. We get here into a realm of arbitrary decision about disability which is pretty dangerous if the whole attitude is a temporary disability thing.

Thus, a person could become eligible for disability after 6 months, and this, as any of you know who have been in business and had the problems of paying workman’s compensation and general health insurance, really starts the debate.

The issue is of concern to NAM, as it rightfully should be. If the committee chooses, we are now prepared to discuss the problem briefly in order that our views be made part of the record for possible future reference.

Rather than discuss this again, because most of this which you have in front of you consists of quotations from the 1960 Social Security Amendments and the supporting informational matters which have been published for the benefit of any reader, I will not go through these.
I will say, however, that NAM is opposed to further increasing the already heavy tax burden that will fall on employers, on consumers, and on young workers.

Finally, and this is personal, gentlemen, I would like to thank you for the opportunity to have come here, and I want to say to you that the addition of something like social security taxes on payrolls is a pyramiding thing. Any manufacturer of a product as complicated as ours always has the problem of not only picking up his own additional costs but he must pick up all the additional costs of all his subcontractors and suppliers.

All added together, this again jeopardizes our position when we try to add to our employment and maintain what we have.

I can only thank you for the chance to come here representing our company, the spirit, I am sure, of its people, our stockholders, and the NAM.

Thank you very much.

(The prepared statement of Mr. Carroll follows:)

**STATEMENT OF JOHN E. CARROLL, CHAIRMAN OF THE EMPLOYEE HEALTH AND BENEFITS COMMITTEE, NATIONAL ASSOCIATION OF MANUFACTURERS**

My name is John E. Carroll. I am president of the American Hoist & Derrick Co. of St. Paul, Minn. I am a director of the National Association of Manufacturers and am chairman of its Employee Health and Benefits Committee. Our association is composed of more than 10,000 member-companies, of whom over 80 percent employ fewer than 500 employees and nearly half employ less than 100.

NAM appreciates this opportunity to express its views on the proposed amendments to OASDI contained in H.R. 6027. These proposals are of significance to us as citizens who favor continued reliance on the individual and family as the major sources of financial security for our aged. These proposals are also of significance to us as businessmen whose companies must bear half their costs of this original purpose of the social security law, and the only justification for its compulsory sharing of the income of producers with nonproducers, is to provide a basic floor of protection to individuals who suffer an income loss by virtue of old age, disability, or death of the family breadwinner. It is intended as a permanent, not an emergency program. I will discuss the provisions of H.R. 6027 in this context.

**Objectives of social security**

In examining today's social security program and contemplating the effects tomorrow, of the proposals before us, we find little resemblance to its original purpose as a minimum bulwark against destitution in old age. Each liberalization brings us closer to the point where retirement becomes a financial boon, underwritten by those who are still employed. The real danger in such a system of compulsory income redistribution lies in the unfortunate fact that the public is unaware of the true nature of the beast. Encouraged by the publications of those who administer OASDI, the public has been sold on the distortion that the system operates like "insurance," returning benefits which have been "paid for" by the individual through payroll taxation. This misconception generates wide popular support for increased liberalizations, though they be unnecessary and financially unsound.

We believe the time has come for a careful reexamination of the original purposes of OASDI. The proposed amendments contained in H.R. 6027 present an opportunity to realign objectives and balance equities between claimants and producers. If benefits are to be handed out, we recommend that the situation of each type of claimant be judged in relation to groups with greater needs. If retirement is to be made more attractive, we would first inquire whether the world situation justifies a substantial lessening of experienced, skilled American manpower. But prior to all these considerations, we would pause for a long, careful look down the road ahead, for around the bend may lie a state system more in keeping with European socialism than our own traditions of freedom and reliance on the individual.
With respect to H.R. 6027, we must determine whether these proposals are desirable in view of the system's original objectives, whether they are necessary at the present time and whether they are fair to all groups of claimants.

Page 22 of the printed report of the House Ways and Means Committee's executive hearings preliminary to reporting out the pending bill, contains a very significant item furnished by Mr. Ribicoff. In estimating the increase in Federal payments to be made beginning April 1961 as a result of the administration's economic security program, Mr. Ribicoff includes improvements in the OASDI program along with extension of temporary unemployment insurance and aid to dependent children. This reveals an intent to use the permanent social security system as a device to cure a temporary economic need. The NAM opposes such tinkering with OASDI for a purpose wholly inconsistent with its prescribed objectives.

COMMENT ON SPECIFIC PROPOSALS

Reduced retirement age for men

The most significant proposal in H.R. 6027 is that which would reduce the retirement age for men to 62 years on an actuarially adjusted basis. This proposed change would provide first-year benefits amounting to $440 million for approximately 500,000 beneficiaries.

It is strange, indeed, to see this proposal being made again at a time when life expectancy is on the rise and so many of our older citizens are pleading for a chance to demonstrate their ability to lead useful, productive lives. To help them in their quest for work, the administration and various state legislatures have condemned age discrimination in hiring. Quoting from a policy statement made at the January 1961 White House Conference on Aging (report, p. 142):

"There was a consensus that because employment is so important to the older person, not only for self-support and independence, but also for healthful living and self-respect, basic economic and other policies should be developed in this country which will create a healthy economy and high levels of employment in all areas and for all persons in the labor market."

The NAM submits that the problem is to find useful employment for vigorous men of 62, not to entice them to pasture at the expense of the younger generation. If the retirement age for men is lowered to 62, it will be more difficult than ever for them to find jobs.

This particular proposal has all the earmarks of a plan to ease the unemployment problem. Unemployment is a problem which should be called by its right name and solved by appropriate measures. It must not be disguised as a social security issue and solved by a distortion of the entire system. In this connection we would also point out that unemployment is not restricted to a particular age group. Many men in their fifties and forties are having trouble finding jobs today but surely no one would seriously suggest lowering the retirement age to 52 or 42. We feel that the healthy American man, no matter what his age, wants to support OASDI by working rather than be supported by it at 62.

Proponents of retirement at 62 for men are also heard to argue that discrimination on grounds of sex must be avoided at all costs and that since women may now retire at 62, so must men be able to do so. The fallacy of this argument is as obvious as the physical differences between the sexes. Man is the breadwinner to whom women and children have traditionally looked for support. This is in the very nature of things and may it always be so. It is not the function of a social welfare system to relegate the male worker to the role and status of the female. OASDI, like the Armed Forces, should continue to recognize the difference between the sexes in pursuing its basic objectives.

OASDI contains a number of "discriminations" which recognize the fact that typically, the wife and children are dependent upon the father as breadwinner. For example, for a husband to receive benefits based on his wife's wage record, he must be "receiving at least one half of his support" from her when she becomes eligible for retirement benefits, or in case of her death, at the time of her death. Even where he is dependent on her at the time of her death and has children in his care, he receives no benefits. However, if the situation were reversed the wife would receive benefits. Similarly, a child is "deemed" to be dependent upon its father unless the father was neither living with nor contributing to the support of the child. However, a child can be dependent on its mother only if she is "currently insured," that is, recently engaged in current work.
In view of these presently accepted "discriminations" the NAM believes no serious argument can be made for elimination of the more natural "discrimination" between retirement ages for men and women.

The proposed age reduction from 65 to 62 for men is stated in the Ways and Means Committee report to have a zero effect on long range costs of the system. In last year's Senate report which contained the same provision the cost was stated to be 0.05 percent as it would further reduce insured status requirements and increase the average monthly wage.

One important factor seems to be ignored. The individual retiring at 62 will pay in contributions for 3 years less than if he retires at age 65. It might be argued that many might not have taxable wages in the 3 years. But this would probably mean smaller average wages and hence smaller benefits than under existing law.

Another factor is that after early retirement is established the reduction in benefit provision is likely to be scrapped because of the "floor of protection" argument.

Increase in widow's benefits

Under this proposal the benefit payable to an aged widow of a deceased worker would be increased from 75 percent of the worker's primary benefit to 82 1/2 percent. Taking an increased minimum benefit into account, it is estimated that 1,525,000 people would be affected the first year at a cost of $105 million.

Although some people still insist on discussing OASDI in terms of "insurance," the NAM believes that the system has become a compulsory sharing of wealth for social purposes. This being the case, it is vital that Congress carefully weigh the equities of all the various groups contending for a share of the estimated $12 billion proposed to be distributed under H.R. 6027. Your task is to determine which claims call for more generous treatment and how much additional income is to be transferred from the productive to the nonproductive.

The need for doing equity is clearly revealed in the proposal to increase widow's benefits. The proposed increase would mean a maximum widow's benefit of $104.80. Table 2 of the March 1961 Social Security Bulletin shows that, as of last June 30, benefits paid widows lacked only $2.10 of being equal to those paid to retired women workers. Wives could look forward to average widow's benefits $2.40 larger than the benefits of retired women. The overall averages were:

- Retired women: $59.30
- Aged widows: $57.20
- Husbands and wives: $123.40
- Prospective widows: $61.70

Table 2 of the Bulletin broke the statistics down into what might be termed "older retirees" (those who in general retired before April 1952) and those who retired more recently. Technically, the table covers retirements based on earnings after 1936 and on earnings after 1950, as follows:

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Earnings after 1936</th>
<th>Earnings after 1950</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired women</td>
<td>$47.40</td>
<td>$66.20</td>
</tr>
<tr>
<td>Aged widows</td>
<td>50.40</td>
<td>68.40</td>
</tr>
<tr>
<td>Husbands and wives</td>
<td>94.20</td>
<td>132.00</td>
</tr>
<tr>
<td>Prospective widows</td>
<td>47.10</td>
<td>68.90</td>
</tr>
</tbody>
</table>

Considering the purpose of OASDI—that of providing a minimum floor of protection—the above figures indicate that fairness and equity call for any increases to include all post-1936 retired women and widows, rather than all widows (both post-1936 and post-1950).

When consideration is given to increasing benefits above the proposed minimum for aged widows, widowers and parents, other classes also require careful consideration. Otherwise the result may be that their equally, and possibly superior claim for liberalization may be overlooked.
As a matter of fact, consideration might properly be given to widows, widowers and parents, and with them other beneficiaries such as working women whose benefits are based on wages back to 1930. In comparison with those whose benefits are based only on wages after 1950, the earlier group's benefits are quite low.

Here is a summary comparison of the percentages of some classes whose benefit per recipient is less than $50 per month:

<table>
<thead>
<tr>
<th>Benefits based on wages after 1950</th>
<th>After 1936</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired man only</td>
<td>9.7</td>
</tr>
<tr>
<td>Retired woman only</td>
<td>27.9</td>
</tr>
<tr>
<td>Husband and wife</td>
<td>11.5</td>
</tr>
<tr>
<td>Aged widow</td>
<td>15.3</td>
</tr>
<tr>
<td>Mother and 2 children</td>
<td>2.5</td>
</tr>
</tbody>
</table>

The presently proposed maximum widow's benefit of $104.80 would be paid to a very substantial fraction of future widows. But experience shows that only a small fraction of women workers average the $3,000 per year which would yield them benefits of this size.

In the usual course of events, a widow would find herself with such assets as a home, life insurance proceeds, her deceased husband's personal property and perhaps children who will contribute to her support. The retired woman, on the other hand, seldom has such assets to fall back upon in time of need.

Again, we would urge Congress to carefully weigh the equities involved here. Hasty action may create further inequities which will have to be corrected in the future with more taxes and higher outlays. We urge Congress to look at all the claimants for social justice, particularly the retired working women and those older retirees, both men and women, whose benefits are based on pre-1950 earnings.

Eligibility change for insured status

H.R. 6027 would liberalize eligibility for benefits by granting insured status to persons having one quarter of covered work for each four calendar quarters after 1950. It will be recalled that in 1960 this requirement was liberalized from one quarter of coverage for each two elapsed quarters after 1950, to one covered quarter from each three such elapsed quarters. Thus—if this bill is enacted—the eligibility requirements will have been halved within 2 years.

The proposed change would add about 160,000 people to the benefit rolls during the first year at an estimated cost of $65 million. This, of course, is in addition to the some 400,000 people who will be added to the rolls as a result of the 1960 amendments.

This proposal, together with the proposal to reduce the retirement age for men would, in effect, reduce the required quarters of coverage from 13 to 7.

The NAM is opposed to further liberalization of coverage because it is a further departure from the contributory principle and the wage-loss theory of benefits. Inasmuch as OASDI does not cover all gainful work, there is no need to further reduce the qualifying work test.

Increase in minimum benefits

H.R. 6027 proposes to increase the minimum benefit from $33 to $40 with corresponding adjustments in family benefits and lump-sum death payments. This proposed change would increase benefits for 2,175,000 people and would cost $170 million the first year.

The cost of providing these benefits would greatly exceed the amounts contributed in OASDI taxes by the employee and employer. The actual premium required to cover the cost of these benefits for a man and his wife would be over $216 per year paid from the inception of OASDI to the end of 1961. Yet the benefits contemplated would be payable to persons, who, together with their employer, have paid as little as $6 in taxes.

This huge potential gap between contributions and benefits may be justified on grounds of social welfare for the most needy. At the same time we would
point out the danger of a chain-reaction push for higher benefits up the line, regardless of the system's objectives and the needs of our aged. A proportional increase in maximum benefits would result in a $100 per month primary benefit and a $240 per month husband and wife benefit.

On page 88 of the printed record of the executive hearings on the present legislation Mr. Mills inquired whether it would not be necessary to raise the wage base to $7,200 "to restore the proper or historic relationship between minimum and maximum benefits."

Mr. Cohen stated: "I think, Mr. Chairman, this traditional relationship between the minimum and maximum that has been maintained over these 20 or 25 years is an essential aspect of a contributory system."

"If you do not have what the committee and the country thinks is an adequate spread between the minimum and the maximum, then the enthusiasm for a wage related system is dampened."

**Liberalization of disability benefit**

The bill now before the committee contains no proposals relating to further liberalization of disability benefits. However the administration did propose, in H.R. 4571, to eliminate the requirement that a disability be expected to result in death or to continue for a long and indefinite period in order for the disabled person to get benefits. Thus a person could become eligible for disability benefits after 6 months under the administration's plan.

This issue is of concern to the NAM. If the committee chooses, we are now prepared to discuss the problem briefly in order that our views be made part of the record for possible future reference.

You will recall that the 1960 Social Security Amendments removed the requirement that a person be between the ages of 50 and 65 in order to collect disability benefits. This liberalization, together with the present proposal, would seem to bear out predictions we made when the issue first arose; that eventually we would be faced with some form of Federal nonoccupational sickness and disability program. The NAM is opposed to Federal activity in this area. This problem can be handled best by the States and individual employers.

Using data published in the Social Security Bulletin for December 1960, we calculated that the average recipient of disability benefits now gets around $850 per year. Since an estimated 85,000 additional persons would be added to the rolls the first year under further liberalization, the initial annual cost would be over $72 million. In turn, this figure will be increased by cases involving wives and children's benefits and by those people entering the rolls as a result of 1960's liberalization.

Then we must consider those who would qualify for benefits in succeeding years. The net effect of all this, costwise, is difficult to estimate. However, it is likely that the substantial added costs involved would require a substantial increase in taxes—taxes which were substantially increased only as recently as January 1, 1960. NAM is opposed to further increasing this already heavy tax burden on young workers, employers, and consumers.

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

Mr. CARROLL. I do not think it was entirely clear where you say:

This being the case, it is vital that Congress carefully weigh the equities of all the various groups contending for a share of the estimated $12 billion proposed to be distributed under H.R. 6027.

That is an error, is it not, because, as I understand H.R. 6027, it provides for about $800 million.

Mr. CARROLL. I may have misspoken, Senator Byrd, but actually what I was doing here was using a figure that I think appeared on page 20 of the 21 trustee's report. I hope we have that here, do we?

The CHAIRMAN. This is a cumulative figure?

Mr. CARROLL. It is a cumulative figure and I hope I said it was, the estimated $12 billion proposed to be distributed annually after enactment of H.R. 6027. I meant it to be the total figure; yes, sir.

The CHAIRMAN. All right. I want you to know that the Chair shares your anxiety about the fear of increasing the social security taxes.
You made a very interesting statement. Any questions?

Senator Hartke.

Senator Hartke. Yes. In regard to your specific comments about the reduction from age 65 to 62, I quite agree with you that unemployment is a problem which should be called by its right name and solved by appropriate measures, and I do not think social security should be used to attempt to solve unemployment.

However, does the proposal to reduce the age limit from 65 to 62 on a voluntary level deal with solving the unemployment problem? I mean, I do not understand the connection between the two. I do not understand how you brought the two together.

Mr. Carroll. Well, a great many people are advocates of this particular legislation, Mr. Hartke, who apparently have said that if we can encourage people to drop out of the work force at 62, then inevitably some people at the lower end of the work force now unemployed would find employment to fill the same jobs. That is why I bring it up.

Senator Hartke. Let me see, I am one of the advocates of such a proposal, and have such a bill in, but I do not advocate it on such a basis, but it is a recognized fact, and the studies show that there are a lot of people at age 62, who frankly, are unable to go out and find work. It is not a question of their being disabled a hundred percent, but their physical condition sometimes is such that people just do not want to hire them.

If they can go ahead, they have made their payments, and if they can take it at a reduced rate, why shouldn't they be entitled to do so?

Mr. Carroll. Mr. Hartke, I really do not know very much about disability insurance. I am a little bit gun-shy about even considering it has any place here.

Senator Hartke. This does not deal with disability insurance. I am not talking about a disabled person, but just talking about the fact that a man reaches the age of 62 and, frankly, he is in a position where the employer—will you hire a man at the age of 62?

Mr. Carroll. Let me jump right out of orbit, if this is permissible, Mr. Chairman. Mr. Hartke, you come from the great State of Indiana, isn't that correct?

Senator Hartke. Yes, sir.

Mr. Carroll. We operate three plants in the State of Indiana. I would hate to run any of those three plants, two in Indianapolis and one in Fort Wayne, without the people over 62 years of age that are in our employ in those plants.

Senator Hartke. Before you misinterpret what I said, I quite agree with you that there are a lot of people, frankly, and I think it is going to be increasingly so, over 65 who are going to be capable of doing very constructive and very worthwhile work. I'm not talking about those individuals. I do not think most of those people are going to want to go on social security at a reduced rate at the age of 62. Many of them do not want to go on social security at the age of 65.

Mr. Carroll. That is correct.

Senator Hartke. I quite agree. Those people are fine working people. But this will not have any appeal to such an individual, those people working in your plant or any other plant. They are not going
SOCIAL SECURITY BENEFITS

to go out and take this social security benefit at the age of 62 on a retired basis. It makes no appeal to them whatsoever.

Frankly, it will make very little appeal to most of your employees at the age of 65. A lot of them would like to continue to work; isn’t that correct?

Mr. Carroll. Oh, yes. As a matter of fact, I am probably begging the question a little bit here, but one of the things we have always been puzzled about is how to get rid of the fellow over 72. He is doing so well under this law you can hardly pry that old boy out of there. He is being paid by the Government to work for us, and by them to work for us. He is doing real fine. So maybe if we wanted to talk about something along this line we have got the wrong thing in front of the tool.

Senator Hartke. We are talking about two different categories of the people. I am talking about the large number of people who still are, at the age of 62, finding themselves in a position in which they would prefer to retire. Really their physical condition is such they are not disabled but really they should not continue to work, and if they want to go ahead after making their contributions through the years, why shouldn’t they be able to retire at the age of 62?

Mr. Carroll. Well, how far do you want to go? Is it going to be 57 next year or 55? I know some fellows 25 years old who do not think they are very anxious to work.

Senator Hartke. I know, but I think it is a pretty well recognized medical fact that there are a large number of people over the age of 62, between the age of 62 and 65, and this is true, I think you will find, you probably know some personally, as I do, who, frankly, just absolutely are not really in a position where they should be working, but they are trying to make a go of it. Some of them just cannot find jobs in their positions because of their age group.

Mr. Carroll. We are getting a little closer here to using the social security law for unemployment compensation purposes. If these people cannot find jobs that is something else again. Isn’t it true that, perhaps, this is largely advocated for certain States where they have a very high percentage of unemployment?

Senator Hartke. No; I do not think so at all. I think you will find this if you will go even into your own plants, you will find instances of this, maybe not, maybe your company is run a little bit differently, and I’m not going to say about that, but I do feel there are some particular problems for these people in this age group, and I think that doctors would tell you so, that they could not sign any statement that this man is physically disabled, that he is disabled from doing any work. They cannot sign a statement.

They will frankly tell you that the man probably would be better off if he could go ahead and retire under reduced benefits.

Mr. Carroll. Well, Mr. Hartke, I am not an industrial physician either, but I will tell you what I am, I am a manufacturing fellow. I do not want any impression given here that a manufacturer, at least I, appearing here as an individual, am talking about liberalizing this age situation from the standpoint of relieving the manufacturer of a responsibility to keep a 62-year-old man working. I wish you would leave us take care of something, we would take care of that one, we would keep him.
Senator Hartke. There would be no requirement on the manufacturer to this extent.

Mr. Carroll. No. But I mean certainly manufacturers are not seeking this relief, as you indicated, in order to let these marginal people who are not very efficient be retired.

Senator Hartke. Let me say to you, sir; and I say to you in all sincerity, Mr. Carroll, if any implication was left of that I want that erased immediately. I did not mean to imply the manufacturers were seeking this. I'm talking strictly from the individual viewpoint of the person who is within the age of 62 and 65. I'm talking from their side of the picture and not anybody else in society.

Mr. Carroll. If they are unwilling physically and mentally to be employed, I do not think it belongs under the Social Security Act. I do not think it does. I think it is a different problem.

Senator Hartke. Let me draw away from that. I thought I made it pretty clear about talking about people who have a mental disability.

What I'm talking about is this is in an age in which there are certain factors which create special problems. I do not think there is any use going further along in that.

Let me ask you another question in that regard. In the last sentence, the last paragraph, was an assumption that said:

Another factor is that after early retirement is established the reduction-in-benefit provision is likely to be scrapped because of the "flaw of protection" argument.

This is an assumption. If this assumption were, in fact, not true, would this change your opinion any upon this legislation?

Mr. Carroll. Well, I still would have to cling to the amateur idea that a fellow who retired at 62, when he is 62 is just as hungry, would be just as hungry, as the fellow who retired at 65. I do not see any reason for the encouragement of him to retire, to retire a fellow at a reduced rate because he has the same kind of needs, and I think it is unwholesome, and I think ultimately emotional pressure would kind of force you to correct this poor fellow's situation, and ultimately end up by raising his benefits so he can be fairly treated.

Senator Hartke. I mean, assuming this was not so, would this make any difference in your testimony?

Mr. Carroll. Well, I refuse to make the assumption because I will go right back to the description that you made of this fellow between 62 and 65.

Senator Hartke. Yes. But you assume in the legislation here a fact which is not true.

Mr. Carroll. Well, of course, it is not true; we cannot say it is true because it could not very well have happened. This is kind of a crystal ball performance, just like fellows of your age forecasting how a fellow feels at 62 years of age.

Senator Hartke. Let me ask you one other question here in regard to this overall item. As you well know, the limitation on earnings applies—of course, you talked about the age of a man 72. The limitation of earnings does not apply to any individual other than a wage earner.

Would it make any difference if the overall limitation on earnings were taken off for all social security beneficiaries; in other words, for investment people receiving investments today or who have their
income other than from wages. If they have income from investments or from properties and rentals and things like that, of course, there is no limitation on the income for those people; and even though they are social security recipients they can still go ahead and draw their social security benefits and their investment return or their rental return without having any change in their status on the social security roles.

Now, do you feel that it would be more fair under the circumstances to extend this to the wage earners as well; in other words, as you know, there is a sliding scale really of about $1,500 which is the maximum that a wage earner can earn now.

Mr. Carroll. Well, the only thing that I can see is to just take the 72 out of there and let the rules ride.

It kind of amuses me sometimes to get some old boy who is a toolmaker, and he is really pretty good, and you still have got him, and all of a sudden, because of the accident of his 72d birthday, he gets a third raise in his compensation.

Senator Hartke. I am not talking about the man 72, but the one at 65. He is 65 years old. He is a wage earner; he has a limitation on earnings because of being 66.

Mr. Carroll. Yes.

Senator Hartke. This does not apply to a 66-year-old investment individual, a person who has investments.

Mr. Carroll. No.

Senator Hartke. How can we justify such a distinction, such a discrimination, against a wage earner?

Mr. Carroll. Well, I do not think you have any discrimination there. You would have discrimination if you changed it. We are getting into something here that I could not possibly debate with a fellow with your fine background, because I am basically an engineer, but it kind of seems to me you are talking here dangerously. There might be a penalty on accumulating enough equity to have a few stocks or bonds or some other income, and I could not get into that with you; I am afraid I would lose.

Senator Hartke. Mr. Chairman, I would like to ask Mr. Carroll, in his capacity as a representative, not in your individual capacity, if it would be possible to secure a statement, a written statement, to be submitted for the record as to the position of the National Association of Manufacturers in regard to the removal of the earnings limitation.

Mr. Carroll. There is no official position, as I know it, within the NAM, and I would say that is a fair request.

I am not running NAM, nor am I in a position to, but I think we should probably make some attempt to answer this question.

Senator Hartke. Yes. In other words, within reason.

Mr. Carroll. I am afraid I am so far off your wavelength that I would refuse to represent NAM on the point, and I guess I have said all I can say about my own observations on this particular phase of it.

Senator Hartke. I am not asking you to do that. I hope if there is any position from the association, it could be obtained.

Mr. Carroll. As I understand it, there is not any attendant change, however, in any of this legislation, is that right?

Senator Hartke. If I have my way, there will be, sir.
Mr. CARROLL. There is not now.

Senator HARTKE. Well, there will be. This will be in front of the committee, if the chairman will permit me to submit an amendment, I will say that, later on, which, as the chairman knows, we have not had this opportunity to date.

Mr. CARROLL. Maybe it would be interesting if you gave to NAM what you had in mind.

Senator HARTKE. I would be delighted to.

Mr. CARROLL. It would help me a little.

Senator HARTKE. I would be delighted to do that.

Mr. CARROLL. I think that would be fine.

Senator HARTKE. One other comment I would like to make on your statement. This does not deal with unemployment. You say—

Senator WILLIAMS. Would the Senator yield for a question in connection with the memorandum you are asking them to submit?

Senator HARTKE. Yes.

Senator WILLIAMS. Mr. Carroll, at the time you submit your recommendation giving the views of the National Association of Manufacturers, and at the same time the Senator is going to submit a memorandum giving his views, would you both take into consideration the fact that to eliminate this age requirement would necessitate an additional expenditure annually of $3 billion, and require a minimum of an increase in the payroll tax of 1 percent, and would both of you take that into consideration at the time you make the memorandum as to your recommendations on the advisability of the change?

Mr. CARROLL. I agree. I certainly could do nothing less.

I understand this is going to be an amendment that you are going to sponsor?

Senator HARTKE. It is in a bill which I have introduced, and an amendment I intend to introduce to this bill, if permitted to do so, which would remove the earnings limitations for wage earners.

Mr. CARROLL. Would you like me to send a copy to the other members of this committee?

Senator HARTKE. No. I would prefer, sir, that in your representative capacity it would be directed to the chairman of the committee so it would be available for the entire committee, whatever statement it is.

Mr. CARROLL. You would like the National Association of Manufacturers to comment upon—

Senator HARTKE. If they care to do so.

Mr. CARROLL (continuing). On what you have stated here.

Senator HARTKE. If they care to do so.

The CHAIRMAN. The Chair would like to suggest we expect to take this bill up in executive session next Thursday, and any memoranda prior to that should be sent in, in order to have it printed in the record by that time.

Senator HARTKE. I hope you understand, sir, I am not demanding anything from you, but just asking your opinions. I think they would be helpful to the committee.

Mr. CARROLL. It will give me a chance to at least know what you are talking about, and I will pass it along to the NAM, and a jury of my peers will reply to you in a suitable manner, I believe.
(The following letter was subsequently submitted:)

NATIONAL ASSOCIATION OF MANUFACTURERS,

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: During the appearance of John E. Carroll, chairman, NAM Employee Health and Benefits Committee, before your committee on H.R. 6027, both you and Senator Hartke indicated that the committee would like to have the association's views with regard to removal of the earnings limitation now in the Social Security Act. Complying with this request will require consultation with NAM Policy Committee principals and staff and we, therefore, will be unable to provide anything in time for inclusion in the printed hearings.

If such consultation indicates that the association is in a position to present its views on this subject at this time we will make every effort to have it in your hands before the committee begins executive sessions on this legislation.

Respectfully yours,

R. T. COMPTON.

Senator HARTKE. Let us come back to your statement.

I just point this out to you, that I have had occasion to serve on the Senate Committee on Unemployment Problems. It says:

In this connection we would also point out that unemployment is not restricted to a particular age group.

I just want you to know that I do not believe this is true. I would hope that you would reexamine this, and I would be glad to discuss this matter with you either in your representative capacity or individually, to point out that the biggest problem today deals with children or young people in the age group of 18 to 25 and the old.

The people between 25 and 60 are not presenting their problem.

Mr. CARROLL. I know Washington is filled with men talking on the same subject, and the daily papers are filled with it.

Senator HARTKE. Those are all the questions I have, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Carroll.

The Chair would like to put into the record the cost of the first year, the minimum benefit increase is $170 million; the age 62 for men, $440 million; insured status requirement is $65 million; and widows, $105 million, making a total of $780 million.

I will submit for the record a statement in behalf of the American Legion advocating an amendment to authorize the continuance of payments to children after age 18 if attending an approved school.

This statement is a statement of Dean D. W. Tieszen, who is unable to be here, and he requests that this statement be included in the record.

(The statement referred to follows:)

STATEMENT OF DEAN D. W. TIESZEN, VICE CHAIRMAN OF THE NATIONAL COMMITTEE ON EDUCATION AND SCHOLARSHIP OF THE AMERICAN LEGION

Mr. Chairman and members of the committee, my name is D. W. Tieszen. I reside at Warrensburg, Mo. I am vice chairman of the National Education and Scholarship Committee of the American Legion, which committee is a part of our national child welfare program.

The American Legion favors revision of title II of the Social Security Act to include children who are attending school, from age 18 but not beyond the age of 21 in the insurance benefits as provided by law.
The American Legion is very much interested in H.R. 6027 as same passed the House on April 20, 1961.

When H.R. 6027 was before the House Ways and Means Committee, the American Legion urged that title II of the Social Security Act be amended in a manner which would authorize the continuance of payments to children after they reach age 18, while unmarried and enrolled in an approved school, but not beyond age 21.

This proposed amendment was not included in H.R. 6027 as reported by the House Ways and Means Committee; under the rule, no amendments were permitted on the floor of the House.

The American Legion respectfully requests the Senate Finance Committee to approve such an amendment to the House-passed version of H.R. 6027 for the following reasons.

At its 1960 national convention the American Legion adopted resolution No. 235 which reads as follows:

"Whereas one of the major objectives of the American Legion’s Education and Scholarship Committee is to help make it possible for the children of veterans who have the ability and desire to receive an education beyond high school; and

"Whereas present provisions of the Social Security Act, title II, terminate benefits to children of deceased wage earners when they attain the age of 18; and

"Whereas it is at this age when the continuation of social security benefits would, in many instances, be the determining factor as to whether or not children would be financially able to continue their education beyond high school: Now, therefore, be it

"Resolved, That the American Legion in national convention assembled in Miami Beach, Fla., October 17-20, 1960, actively support legislation which would amend title II of the Social Security Act in a manner which would authorize the continuance of payments to children after they reach age 18 while unmarried and enrolled in an approved school, but not beyond age 21."

The American Legion has a long, sustained interest in providing enhanced opportunities for the youth of our Nation, including the opportunities obtained through education. The active support the American Legion provided in the passage of the GI bill of rights for veterans after World War II and after Korea is well known to the people of this Nation. Their support of the junior GI bill which provides funds to assist children where the parent lost his life in or as the result of service is a matter of record. The many activities, particularly of the American Legion’s Child Welfare and Americanism Commission are further testimony on this point. In recent years a compilation of career and scholarship opportunities for youth bearing the title “Need a Lift?” has reached a distribution of over a quarter million.

The support of the American Legion for the amendment to title II of the Social Security Act is, therefore, consistent with the historic and active position of our organization.

The American Legion believes that there are three major arguments favoring the proposition that title II of the Social Security Act should be so amended. The first of these might be termed the logical reason. Since post-high school training or education is now looked upon as desirable, and for many careers an indispensable prerequisite, the sense of security afforded to those covered by the old-age, survivors, and disability insurance program is lessened so long as no provision is made for continuing benefits during the years in which the child would normally be obtaining a college education or in some instances finishing high school. I speak from my own many years experience as a public school and college administrator in pointing out that age 18 has for many such children meant the necessary termination of their education. The logic behind the insurance benefits of the social security program is that a child under age 18 is presumed to be a dependent who has suffered an earnings loss when his father dies. This same principle continues to be in effect as he continues his education beyond age 18.

The second major reason for the American Legion support of this amendment might be termed the humanitarian reason.

College or other post-high school education has become for the present generation of youth a prerequisite for most goals in life, be they vocational or social. The earnings loss suffered by a family upon the death of the principal wage earner is in itself sufficient to lower the family status to a fringe position in
terms of income. It is one of the proudest boasts of our American society that it provides opportunity for all its members.

I believe that there is not a person here who is not deeply affected by the humanitarian reasons inherent in title II of the Social Security Act.

Finally, the American Legion believes there is an economic reason to support this revision.

When America educates its youth this represents a type of economic upgrading which is ultimately returned to the taxpayer as a benefit. The GI bill cost the American taxpayer some $15 billion according to Veterans' Administration estimates. These same statisticians calculate that in less than 10 years from now—by 1970—the 7,800,000 veterans who took training under the law will have paid off the full cost of the program because through this education the veterans were enabled to attain an income level at which they are paying an extra billion dollars a year in Federal income taxes. Dr. Paul C. Glick, Chief Social Statistician of the U.S. Bureau of the Census, has analyzed lifetime earnings of Americans and compared them with years of schooling. The average American with a college education earns a total of $103,000 more than the average citizen with a high school education.

If the above figures are used as an example we can see what this might mean in economic terms in the case of one individual. The lifting of the age ceiling for dependents as proposed in the amendment to title II would, under estimates made by the Bureau of Old-Age and Survivors Insurance Division of Program Analysis, Actuarial Branch, February 6, 1961, affect 160,000 children during the month of October 1961. The total benefits for that month would be about $9 million. This would be approximately $55 per month per child. Over a 3-year span, if this child remains in school, he would be entitled to draw about $2,000 in payments out of the reserve fund. Upon graduation from college this same individual, whose earning power has now been increased over his lifetime by $103,000 will pay in additional Federal taxes, if these are calculated on the modest basis of 12 percent of gross income, an additional $12,360. An investment of $2,000 in an individual, to help make it possible to finish college, will enable him to return to the U.S. Treasury $12,360—more than a sixfold increase.

These estimates do not take into account, of course, the incalculable human and social values, hard to measure in dollars, for both the individual and society through enhanced productivity and potential contributions.

The U.S. Census Bureau states that in 1940 there were 3.8 million of the population who had graduated from college. They expect this figure will have risen to nearly 16 million by 1980. Time will probably prove this latter figure to be rather conservative. In the years ahead, the economic lifetime of the present youth of our country, additional education more than ever will benefit its possessor. The person without the education will be more economically disadvantaged than he now is. A study published in the New York Times of January 1, 1961, tells us that 60 percent of the cost of paying for a child's education comes from the family. The enactment of this legislation would help to fill in the money normally received by a student from the wage earner in the family group.

From an economic standpoint the American Legion supports the amendment to title II because it believes it is feasible to finance. If 100,000 children draw benefits in October 1961, this will amount to 0.05 percent of covered payroll.

Wherefore, on behalf of the American Legion, I respectfully request the Senate Finance Committee during its deliberations on H.R. 6027 to approve an amendment to title II of the Social Security Act which would authorize the continuance of payments to children after they reach age 18, while unmarried and enrolled in an approved school, but not beyond age 21.

I thank you, Mr. Chairman, for giving me the opportunity to present these views of the American Legion favoring its proposed revisions of title II of the Social Security Act.

The CHAIRMAN. I also insert in the hearings a letter received from Hon. Cecil R. King, ranking Democratic member of the Ways and Means Committee of the House, a very distinguished and able member. Congressman King advocates an amendment to give an additional opportunity to elect OASDI coverage to State school employees whose option to choose coverage under the "Divided Retirement System" provision has expired.
The material referred to follows:


Hon. Harry F. Byrd,
U.S. Senate,

Dear Senator Byrd: Several weeks ago representatives from the California School Employees' Association discussed with me a problem which has developed in the State of California in reference to the so-called split system provision for State and local employees which, as you will recall, was made a part of the Social Security Act with reference to several States in 1956, and which was amended by the Social Security Amendments of 1958.

The particular problem confronted by the California school employees is outlined in the attached memorandum.

Following my discussion with the representatives of the California School Employees' Association, I arranged a meeting with representatives of the Social Security Administration and the Ways and Means Committee staff members for the purpose of discussing a possible legislative solution. At the conference it became clear that the problem faced by the California school employees was not peculiar to California, but that there are problems in many other States. Following the conference, and after work by the staffs, general legislation was developed which would cover not just the California problem but which would also cover similar problems in all States. I have introduced this in bill form, H.R. 6806, a copy of which is attached.

Unfortunately, it was not possible to develop this legislation before the Committee on Ways and Means completed its work on the Social Security Amendments of 1961 (H.R. 6027), and thus I did not have an opportunity to offer my bill as an amendment to the general social security bill which is now pending before your committee.

In order that this problem, which exists in a number of States, may be expeditiously solved, I would appreciate it if consideration could be given by the Finance Committee to the amendment contained in my bill, H.R. 6806, at such time as the Finance Committee might take action on the social security bill now pending before you, H.R. 6027.

I should add that while I have not received a formal report from the Department of Health, Education, and Welfare, on my bill, it is my impression from the discussions which have been held at the staff level that the Department will support the amendment.

Sincerely yours,

Cecil R. King,
Member of Congress.

Specifications for Legislative Language to Give an Additional Opportunity to Elect OASDI Coverage to Persons Whose Option to Choose Coverage Under the "Divided Retirement System" Provision Has Expired

Background

Section 218(d) (6) (C) permits 16 specified States to divide their retirement systems to extend old-age, survivors, and disability insurance coverage to only those current members of the retirement system group who desire it, with all future members being covered compulsorily. When coverage is obtained on this basis, members of the group who did not choose coverage may, under section 218(d) (6) (F), added by section 315(a) (1) of Public Law 85-840, approved August 28, 1958, be brought under the program upon their own request, provided the State modifies its agreement to cover such employees within a year after the date on which coverage of the group was agreed to, or before January 1, 1960, if that was later. Under an administrative ruling, the effective date for coverage for those who use this "second chance" procedure must be the same date as that which applied to the group which elected coverage at the original opportunity.

Current Problem

For a number of reasons, many employees who could do so have not elected coverage under the divided retirement system provisions on either the first or second opportunity. After the expiration of the period during which they could
change their original choice to remain out of coverage, many have asked that they be given a further opportunity to elect coverage.

OBJECTIVES ON WHICH SPECIFICATIONS ARE BASED

The specifications are designed to accomplish the following objectives:

(1) Provide that coverage for those to whom the amendment would apply must begin on the same date as for those originally electing coverage, to avoid differences in treatment as between those initially choosing coverage and those later deciding to be covered. While this objective is currently being carried out by administrative ruling, it would seem desirable that the law itself specifically cover this point, to avoid any possible question as to the intent of the amendment.

(2) Reopen or hold open the second chance option for 2 years after the year of enactment for “backlog cases”—cases where the divided retirement system provision has already been applied to a retirement system group. In such cases the period during which a “second chance” is available has often expired, or is about to expire.

(3) As a permanent provision, designed to take account of the fact that many State legislatures meet only once every 2 years, and of other factors which might result in individuals not choosing coverage within 1 year after the initial second chance coverage modification, extend to 2 years the present 1-year period during which additional persons may be brought under coverage.

SPECIFICATIONS

The three objectives mentioned above could be accomplished by two amendments to section 218(d) (6) (F) of the Social Security Act. The first of these amendments would be to change the phrase “* * * prior to 1960 or, if later, the expiration of 1 year after the date * * *” to read “* * * prior to 1963 or, if later, the expiration of 2 years after the date * * *.” The second amendment necessary to accomplish the objectives would be to add a sentence to section 218(d) (6) (F) which would provide that notwithstanding section 218(f) (1) coverage for the individuals using the second chance procedure would begin on the same date as coverage for those in the same retirement system group who had elected coverage at the first opportunity. (Section 218(f) (1) is the provision which limits the extent of retroactivity possible to newly covered groups.)

SUMMARY OF INFORMATION AVAILABLE IN BUREAU OF OASI ABOUT STATES (OTHER THAN CALIFORNIA) WHERE THERE IS INTEREST IN A STATE AND LOCAL “THIRD CHANCE” AMENDMENT

RHODE ISLAND

The Rhode Island OASDI administrator met with some Bureau staff members in March 1960 to discuss the desire of some members of the retirement system for a “third chance” to elect OASDI coverage.

The State of Rhode Island through a modification in its coverage agreement approved on April 3, 1958, extended OASDI coverage under the “divided retirement system” provision. Coverage was effective retroactively to January 1, 1956. About 7,500 members of the retirement system came into the program originally. About 400 members were covered under the “second chance” procedure. Of the remaining 1,200 members who had not chosen coverage, some 400 wanted coverage at the time of the meeting referred to above, but as a group they wanted coverage to be effective January 1, 1960, rather than on January 1, 1956—the date on which coverage began for those who had already chosen it.

At the meeting, the Bureau staff members discussed informally some of the objections which might be involved in providing different effective dates.

CONNECTICUT

BOASDI has received a few letters about a possible “third chance” from individuals in Connecticut.

Connecticut extended coverage under the “divided retirement system” procedure through a modification of its coverage agreement executed on April 1, 1958. Coverage was effective retroactively to January 1, 1956. The “second chance” for this group expired on December 31, 1959.
The Tennessee State OASDI administrator has expressed interest in legislation to permit another chance to elect coverage for members of the teachers' retirement system and the State retirement system, and at one time indicated that he planned to write to the other States where the divided retirement system provision is available for the purpose of obtaining their support. He has already secured a commitment for support of such a measure from Congressman Frazier, Democrat, of Tennessee, and expects that Congressman Loser, Democrat, of Tennessee, will introduce a bill on the question. (We understand that there has been an exchange of letters between Congressman Loser and Chairman Mills on this matter.)

The State of Tennessee executed a modification on June 28, 1957, to cover only those members of the Tennessee teachers' retirement system who desired it. A modification executed September 30, 1957, extended coverage to those members of the State retirement system who desired it. In both instances, coverage was retroactive to January 1, 1956.

The social security regional office has been informed that Florida is also interested in "third chance" legislation. A modification executed December 31, 1957, provided coverage for those members of the State and county officers and employees retirement system who desired it. Coverage was effective retroactively to January 1, 1956.

The BOASI has received some letters inquiring about a "third chance" for teachers in Minnesota. Members of the State Teachers Retirement Association who desired coverage were covered under the State agreement by a modification executed December 31, 1959. Coverage was effective retroactively to January 1, 1956.

BOASI has received some letters from Congressmen inquiring about possible "third chance" legislation for State and local employees in Pennsylvania. A modification executed August 30, 1957, covered those members of the Pennsylvania State employees' retirement system and the Pennsylvania public school employees' retirement system who desired it. Coverage was effective retroactively to January 1, 1956. There are indications that many of the employees concerned would not want full retroactivity back to January 1, 1956.

BOASI has received a few letters inquiring about another chance to elect coverage for State and local employees in New York. Congressman O'Brien, Democrat, of New York, has introduced a bill (H.R. 5836) which would permit the use of the "second chance" procedure through 1962.

New York has several large retirement systems which have been covered under the divided retirement system procedure, with various effective dates for the beginning of coverage.

There have been a few letters from Hawaii inquiring about a possible "third chance." A modification executed on December 17, 1957, covered members of the employees' retirement system who desired it. Coverage was effective retroactively to January 1, 1956.

There has been some interest in another chance for coverage among teachers in Wisconsin. Members of the State teachers' retirement system who desired coverage were covered by a modification executed December 23, 1957. Coverage was effective retroactively to January 1, 1955.
A BILL To amend title II of the Social Security Act to provide that certain State and local employees who have elected (under the divided retirement system procedure) not to be covered under the old-age, survivors, and disability insurance program may have an additional opportunity to elect such coverage

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 218(d) (6) (F) of the Social Security Act is amended by striking out "prior to 1960 or, if later, the expiration of one year after the date" and inserting in lieu thereof "prior to 1963 or, if later, the expiration of two years after the date".

Sec. 2. Section 218(d) (6) (F) of the Social Security Act is further amended by adding at the end thereof the following new sentence: "Notwithstanding subsection (f) (1), any such modification or later modification, providing for the transfer of additional positions within a retirement system previously divided pursuant to subparagraph (C) to the separate retirement system composed of positions of members who desire coverage, shall be effective with respect to services performed after the same effective date as that which was specified in the case of such previous division."

The Chairman, I shall also insert in the record a letter from Clarence R. Miles, manager legislative department, Chamber of Commerce of the United States.

(The letter referred to follows:)

CHAMBER OF COMMERCE OF THE UNITED STATES,

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

DEAR MR. CHAIRMAN: Specific proposals (H.R. 6207) before your committee to amend social security have been passed by the House. These were introduced chiefly as an antirecession move.

The sponsors emphasized that additional money would be pumped into the economy and would help stimulate a rise in consumer spending. Secretary Ribicoff of Health, Education, and Welfare told the Ways and Means Committee that "We are anxious to get money into circulation on any score that we possibly can."

The four proposals in H.R. 6207 relate either to benefit increases, or to lowering conditions of benefit eligibility, and three of them involve long-run cost increases. These proposals would:

1. Increase the minimum monthly primary benefit from $33 to $40;
2. Increase the widow's benefit from 75 percent to 82 1/2 percent of her deceased husband's primary benefit amount;
3. Lower the quarters of coverage for benefit eligibility from 1 out of 8 to 1 out of 4 elapsed since 1950, and
4. Lower the benefit eligibility age for men from 65 to 62, with reduced benefit amounts.

The Chamber of Commerce of the United States supports the purpose and basic principles of social security. This is a program designed to protect people against want and destitution when they experience long-run income loss from old-age, total and permanent disability, or premature death of the family breadwinner.

Naturally, such a program involves tax-cost commitments extending far into the future. The national chamber recommends that no changes involving permanent long-run cost increases be adopted for any short-run reason, such as countering the recession which now has clearly passed its low point.

MINIMUM BENEFIT AMOUNT

The national chamber appeared here in 1958 when your committee was considering legislation to raise the entire benefit structure by 10 percent. The chamber testified that no increase in the whole benefit schedule was justified, but we urged the committee to give special attention to the adequacy of bene-
fits at the low end of the scale. At that time the minimum benefit was $30 monthly. The chamber considered this to be too small to provide a "floor of protection" against want and destitution.

In the bill finally passed, Congress increased the minimum by $3 but raised benefits on up the scale substantially more. We believe the present minimum of $33 is too low to serve as a "floor of protection" and should be raised. The lower benefit amounts are not based on the pay many beneficiaries were accustomed to when working. Until the amendments of 1950 and 1954, many jobs were not covered by social security. As a result, individuals working quite regularly, but shifting jobs occasionally, would have their earnings covered on one job and not on another. Thus, their average monthly earnings for benefit purposes were low and they qualified only for small benefits.

The increase in the minimum to $40 a month provided in H.R. 6207 would help more than 1.4 million retired workers, 250,000 dependent aged wives, and over 300,000 aged widows.

Some might be concerned that increasing the minimum benefit will soon require lifting the maximum benefit, and the wage base. They contend that Congress has historically maintained a 4-to-1 ratio between maximum and minimum benefits. The record shows this ratio has been changed from 0 to 1 under the 1939 amendments to 3.5 to 1 at the present time. Despite this, the benefit schedule as a whole has progressively exceeded the criterion of adequacy long recommended by the first Commissioner of Social Security, Mr. Arthur Altmeyer. In recent years, far less than 10 percent of aged beneficiaries—the maximum level recommended by Mr. Altmeyer—have sought public assistance. In February 1960, no more than 6.7 percent were receiving old-age assistance to meet their needs. The Social Security Administration has estimated that this number will decline to 6.5 percent by 1970.

**WIDOW'S BENEFIT**

Under existing law, aged widows are entitled at age 62 to a benefit three-fourths the size of her deceased husband's primary amount. There has always been a sound reason for a widow's benefit equal to 75 percent of the primary amount—that is, equal to one-half what her husband and she together would have been receiving. We find no logic for increasing this to 82 1/2 percent and believe the widow's benefit should be continued on the present basis.

**QUARTERS OF COVERAGE REQUIRED**

The minimum quarters of coverage requirement for benefit eligibility has been reduced several times. The most recent was in 1950 when it was lowered from 1 out of 2 to 1 out of 3 quarters elapsed since 1950. The national chamber has no objection to a further lowering of the quarters of coverage requirement, provided social security coverage is extended simultaneously to all unprotected work. Once social security is universal in job protection, Congress could then complete an unfinished job by extending benefit eligibility to the unprotected aged.

**MEN'S RETIREMENT AGE**

Finally, the bill, H.R. 6207, proposes to lower the benefit eligibility age for men from 65 to 62. While the reason for this proposal is understandable, a reduction in the eligibility age for men would be a step in the wrong direction. Owing to advances in medical science, people in their early sixties today have more physical and mental vigor than was true in past decades. They should not be encouraged to retire at younger ages.

Most private pension plans have a normal retirement age of 65. Under these, individuals do occasionally retire at an earlier age. This is not occurring on a wide scale, however, and does not justify such a provision in this nationwide compulsory program, social security.

Lowering the age will inevitably stimulate pressures on employees and on employers for earlier retirement, at a time when encouragement should be given to employment beyond age 65. Secretary of Labor Goldberg recently directed his Department not to discriminate in hiring because of age of the applicant. He said, "Sufficient use of our human resources requires that the services of all persons capable of performance in the labor force be utilized." Attention should
be directed toward enlarging job opportunities for those in their sixties—not toward diminishing them.

In 1956, Congress lowered the eligibility age for women to 62, largely on the grounds that wives were, on the average, 3 years younger than their husbands. In consequence, it was contended many men could not afford to retire at age 65 because their dependent wives would not then be eligible for benefits. By lowering the age for women to 62, it was maintained many husbands would be able to retire at age 65, if they so chose.

With the eligibility age set at 62 for both men and women, Congress will, in effect, be setting a lower figure when people will henceforth be considered aged. This will lead to a lower age for old-age assistance, increasing costs to all taxpayers, individuals and businesses. These added costs will be reflected in higher Government spending at the Federal, State, and local levels.

Lowering the age now for men to the same as that for women, even though benefits are reduced, will give rise to pressures for a further drop in the eligibility age for women. Certainly this is inevitable if there was any merit to the reason for lowering the age to 62 for women in the 1956 amendments.

While this proposal calls for a reduction in benefit amounts so that longrun costs will not be increased, this does not help maintain social security as a program providing a "floor of protection" against want and destitution. Since a very small percentage of aged beneficiaries also need public assistance, the present schedule of benefits now provides an adequate "floor" for the vast majority of beneficiaries. Obviously, benefits reduced by as much as 20 percent would mean they will be inadequate as a "floor of protection." We wonder if Congress will not in a relatively few years be strongly urged to increase these to the full amount after these family breadwinners have been retired for 8 or 10 years.

In summary, we urge the committee to retain the present formula for a widow's benefits and 65 as the retirement age for men. If the required quarters of coverage were reduced to 1 out of 4, social security coverage should be extended simultaneously to all unprotected jobs. Finally, the national chamber recommends the minimum primary benefit be increased.

Cordially yours,

CLARENCE R. MILES,
Manager, Legislative Department.

The CHAIRMAN. The next witness is Albert C. Adams, National Association of Life Underwriters.

Mr. Adams, will you take a seat, sir, and proceed?

Mr. Adams. Thank you, Senator Byrd.

The CHAIRMAN. Proceed.

STATEMENT OF ALBERT C. ADAMS, CHAIRMAN, SOCIAL SECURITY COMMITTEE OF THE NATIONAL ASSOCIATION OF LIFE UNDERWRITERS

Mr. Adams. My name is Albert C. Adams, and I am the chairman of the Social Security Committee of the National Association of Life Underwriters, a trade association having a membership in excess of 80,000 life insurance agents, general agents, and managers located in all 50 States, the District of Columbia, and Puerto Rico. I am appearing before your committee today to record my association's opposition to the enactment of social security bill H.R. 6027 in all of its particulars; with the exception of the proposed amendment listed as No. 5 in the summary, which would extend to June 30, 1962, the time within which disabled workers may file applications for disability benefits. That is a correction to my prepared statement.

I shall explain the reasons for our opposition in the balance of this statement.
The principal provisions of H.R. 6027, as we understand them, would:

1. Increase from $33 to $40 the minimum monthly social security benefit payable to a retired or disabled covered worker or the sole survivor of a deceased covered worker.

2. Permit male workers to retire at age 62 on monthly benefits that would be actuarially reduced from the full benefits to which they would normally be entitled at age 65.

3. Liberalize the eligibility requirements for social security retirement benefits by making it necessary for an individual to acquire only one quarter of coverage for every four calendar quarters elapsing after 1950, instead of one quarter of coverage for every three such calendar quarters.

4. Increase the monthly benefit payable to the aged widow of a deceased worker from 75 percent to 82.5 percent of the decedent's own retirement benefit.

The estimated cost of the above liberalizations would be financed by increasing the social security tax rates payable by employers and employees by one-eighth of 1 percent each and the rates payable by self-employed individuals by three-sixteenths of 1 percent. These increased tax rates would become effective on January 1, 1962.

I shall presently outline various objections that we have to specific provisions of H.R. 6027. However, we are not concerned nearly so much with the benefit or tax provisions of H.R. 6027, in and of themselves, as we are with the fact that they symbolize a still further advance in the overall trend toward questionable expansion of the social security benefit structure and overtaxation of the workers of this country to meet the cost of providing economic security for the nonworkers.

As your committee is well aware, Congress liberalized social security benefits in each of the years 1950, 1952, 1954, 1956, 1958, and 1960. In the aggregate these liberalizations were exceedingly substantial and far reaching. As a result of these changes and the broadening of social security coverage during the same period, the benefits paid out by the system skyrocketed from $961 million in 1950 to over $11 billion in 1960—an increase of more than elevenfold. And these benefits will continue to grow tremendously in the years ahead even if the present law remains unchanged.

To meet the cost of this rapidly expanding program and to keep it self-supporting and solvent, Congress has from time to time also provided for increased social taxes, either by raising the tax rates or the taxable wage base, or both. These tax increases have been so spaced and in such relatively modest amounts that, individually, they seem to have made comparatively little impact thus far on the congressional or public consciousness. Therefore, we think it most important that before passing judgment on H.R. 6027, your committee give its most serious consideration to the cumulative effect not only of the tax increases that have occurred in the recent past but also of the additional increases that are already scheduled to take place under existing law.
In this connection, for example, we feel that it is vital that we call to your attention that in the short period since 1949:

1. Social security tax rates have tripled.
2. The taxable wage base has been increased by 60 percent.
3. As a result of the above two factors, the social security taxes of individuals with maximum taxable earnings have increased by 380 percent.

Nor is this all, by any means, since existing law calls for three more tax rate increases just to pay for the present system or benefits. When the last of these increases goes into effect in 1969, the tax rates paid by employers and employees will be 4.5 percent each, and those paid by self-employed individuals 6.5% percent. From that point on, social security taxes will run as high as $216 per year each for employers and employees and $324 for self-employed persons. In short, due to increases in both the tax rates and the taxable wage base, maximum social taxes will then have increased more than seven times since 1949.

Even today, there are many individuals whose social security taxes exceeded their ordinary Federal income taxes. By 1969, the number of individuals in this category will have increased tremendously even if, let me stress, present law is left unchanged.

Accordingly, we urge that your committee not add further to the heavy burden which past Congresses have already imposed upon the taxpayers of today and tomorrow and that you, therefore, reject H.R. 6027.

In making this request we want to emphasize that the present and future social security taxes called for by existing law are predicated upon the so-called intermediate cost estimates prepared from time to time by the Social Security Administration for your guidance. These intermediate cost estimates have been the official estimates upon which your committee has always relied in evaluating the cost of social security legislation.

However, we should like to point out that your committee has consistently recognized that—

the intermediate cost estimate does not represent the most probable estimate, since it is impossible to develop any such figures. Rather, it has been set down as a convenient and readily available single set of figures to use for comparative purposes. (See, for example, S. Rep. 1856, 86th Cong., 2d sess., at p. 43.)

Thus, since the intermediate cost estimate is admittedly a sort of convenient fiction, we hope that your committee will not lose sight of the distinct possibility that the actual cost of the present program could very conceivably turn out to be even considerably higher than projected in such estimates and that future Congresses may consequently have to increase presently scheduled taxes still further simply to support the existing benefit structure.

2. Social security benefits should not be adjusted to meet temporarily depressed economic conditions

H.R. 6027 seems to be nothing more than a cut-down version of the present administration's own social security bill, H.R. 4571.

In transmitting the draft of H.R. 4571 to Congress on February 16, President Kennedy gave as one of his principal reasons for pressing for the adoption of the bill that—

If promptly enacted these improvements will give our economic recovery program needed impetus.
Presumably the President would view the quite similar pending bill, H.R. 6027, in this same light. However, we think that it would be a grave mistake for Congress to distort the essentially long-range nature of the social security program by imposing upon the participating taxpayers an additional permanent tax burden in order to make the program a vehicle for coping with problems resulting from temporary ups and downs in the national economy.

Moreover, we seriously question whether the enactment of H.R. 6027 would in fact produce the economic stimulation hoped for by the President. Although we are sure that your committee will check this further, it is our understanding:

1) That a substantial number of the individuals who would receive the greatest benefit from H.R. 6027 are also recipients of aid under one or the other of the several Federal-State public assistance programs, and
2) That such increased social security benefits as these individuals would receive under this bill would tend to be offset, and properly so, by corresponding reductions in their public assistance benefits.

If this is true, then it is obvious that these individuals would wind up with about the same amount of purchasing power as they now have and thus would not be in any better position than at present to give "impetus" to the economic recovery program.

Now, let me turn my attention to specific objections that we have to certain individual provisions of the bill.

3. Proposal to increase minimum benefit

At the outset, we want it clearly understood that we have as much sympathy as anyone for the plight of those individuals who are currently receiving the minimum benefit of $33 per month. Nevertheless, we seriously question the wisdom of increasing this minimum benefit for at least two reasons.

In the first place, we believe that there should always be a significant spread between minimum and maximum benefits. Thus, it seems to us that any further increase in the minimum benefit level might create strong pressure to increase maximum benefits.

Second, it appears to us that further arbitrary increases in the minimum benefit would have the definite tendency to lead to the eventual breakdown of the established relationship between wages and benefits at any level.

4. Reduction of retirement age for male workers particularly undesirable

It would appear that one of the main reasons why Congress voted in 1956 to lower the retirement age for women to 62 was that married women are normally several years younger than their husbands, and that as a result, when the husbands retired at age 65, many couples had only the husband's benefit on which to live until the wife also reached age 65. (See H. Rept. No. 1189, 84th Cong., 1st sess., p. 7.)

For Congress now to reduce the retirement age for men to 62 as well would clearly negate this earlier action and no doubt generate new pressures for a further age reduction in the case of women. We hope that your committee will not be a party to initiating this type of "round robin."
Senator Douglas. Mr. Chairman, may I ask the witness a question on the point just made?

The Chairman. Yes.

Senator Douglas. Mr. Adams, would you oppose a provision in the bill which would extend the age of retirement from 65 to 68, with correspondingly increased monthly annuities so that the insured persons could receive the actuarial equivalents of a pension at age 65? What I am suggesting is an amendment which would provide that a person retiring at an intermediate year between age 62 and age 68 would receive less if he retired prior to 65, and more if he retired after 65.

In other words, what would you think of having a flexible retirement age, but with the insured person receiving the actuarial equivalent of what his pension would have been had he retired at 65?

Mr. Adams. Senator Douglas, I believe that that would be difficult to answer. It goes into, I believe, the purposes of the old age retirement program.

I would like to know what the added costs would be. That would be a factor. Secondly, is there any way of determining whether a man needs more money at 68 than he would need at 65. In other words, what would be the reason for doing this?

Senator Douglas. I never have thought that it should be a permanent part of the old age security system to reduce the number of persons in the labor market, but rather, although I realize this was originally one of the purposes—

Mr. Adams. Yes.

Senator Douglas. But rather that it should provide greater protection for those who, in the later years of life, are unable to find employment. I make this suggestion in order to get at the possibility of using a flexible retirement system if we can get it. Senator Robert Byrd and others advocate a flexible system downward; what I am suggesting is the possibility of a flexible system upward.

Mr. Adams. I do not feel that I am qualified to speak on that, sir.

Senator Douglas. All right.

Mr. Chairman, would I be delaying matters if I asked a question on this very point?

The Chairman. No, sir; go right ahead.

Senator Douglas. Perhaps I should not address it to the witness, but to representatives of the Government who may be in this room.

I notice in the explanatory sheet which has been—

The Chairman. Senator Douglas, the Government witnesses will be here tomorrow.

Senator Douglas. I see.

Could anyone tell me how reducing this retirement age for men to 62, with reduced benefits, can cause an estimated cost for the first year of $440 million? I thought that the rates were to be actuarially reduced, and if they are to be reduced, how does this occasion any greater total expense?

Mr. Adams. Senator, I might venture an answer to that, sir. To the extent that the numbers of people who would retire between 62 and 65, there would be an increased cost load on the system for a while. It is my understanding that as time would pass that initial increased cost would average off in comparison with the cost to the
system, which would exist if these people had not retired until age 65. It would be a—-

Senator Douglas. If you take the long run of 40 or 50 years, would there be any net cost added to the system?

Mr. Adams. My assumption is that it would come out the same.

Senator Douglas. Yes. So that in the long run this does not increase the total drain upon the insurance funds, isn’t that true?

Mr. Adams. Yes, sir, although I think Mr. Myers would be better able to answer that.

Senator Douglas. Did you prepare this summary?

Mr. Adams. No, sir.

Senator Douglas. Thank you, Mr. Chairman.

Mr. Adams. Senator Douglas, thank you very much.

The Chairman. I say, Mr. Myers, would you come forward and answer that question?

Senator Douglas. The question, Mr. Myers, was this: If the retirement benefits are actuarially reduced for retirement prior to 65, is there any increased total net cost to the system over a period of time?

Mr. Myers. Senator Douglas, under the bill as it was passed by the House, it is estimated there is no increase in cost over time. More money will go out in the early years, but then that will be made up over the later years because the reduction in the men’s benefits are permanent.

Senator Douglas. Thank you.

The Chairman. Thank you.

Senator Douglas. So that when it says on this summary sheet that the estimated cost for the first year is $440 million, that is correct, but it does not tell the whole truth, that over the long period of time there is no increased total cost.

Mr. Myers. That is right, Senator Douglas. In the long run it balances out.

Senator Douglas. Thank you very much.

Mr. Myers. Thank you.

Senator Douglas. Excuse me, Mr. Chairman.

Mr. Adams. In addition, in these days when people are enjoying the benefits of ever-increasing longevity, we feel that it would be both socially and economically undesirable for Congress to pass a law which would tend to induce and, in many cases, force men to terminate their productive lives at age 62. Such action would be all the more unfortunate and uncalled for in the face of the strong possibility that during the decade of the 1960’s the national economy will have an almost unprecedented need for the skill and experience of older workers as the result of an expected relative dearth of young and middle-aged workers during this crucial period. (See, for example, p. 7, “Background Paper on the Employment Security and Retirement of the Older Worker,” prepared in July 1960, under the direction of the Committee on Employment Security and Retirement preliminary to the White House Conference on Aging held January 9–12, 1961.)

Curiously enough, while the present administration is urging Congress to lower the retirement age for men covered by social security, the administration is adamantly opposed to legislation that would have the effect of lowering the retirement age for many Government workers covered by the civil service retirement program. I have ref-
ere to S. 188, which would permit civil service employees to retire on immediate full annuities after 30 years of service, regardless of age. It is interesting to note that some of the administration’s main arguments against the enactment of S. 188 are strikingly similar to some of the arguments that we are presenting with respect to the lower retirement age features of H.R. 6027.

For example, in opposing S. 188 before the Senate Post Office and Civil Service Subcommittee on Retirement on May 15, 1961, Elmer B. Staats, Deputy Director of the Bureau of the Budget, stated that—

we cannot endorse the premise that experienced, capable employees in the age range of 48 to 60 should be encouraged to leave the Nation’s work force when we need their work product.

Enlarging upon this thesis, Mr. Staats referred to a manpower study made by the Department of Labor and then had this to say about the findings contained in that study:

The implications of these findings are clear. As we move ahead in the 1960’s, workers 45 years of age and over will have to handle a larger share of the Nation’s important jobs because workers in the 25- to 44-year range will be in short supply. Employers will need to plan for making more effective use of older men and women. We cannot afford to lose the services of these valuable workers by setting arbitrary age limits for hiring or retiring.

The effect of S. 188 would be to completely disregard the implications of this study. By making it possible for employees to retire as early as age 48, we would in effect be encouraging their withdrawal from the labor force at a time when their services were most urgently needed by the Nation’s economy. If we are to maintain a dynamic and growing economy necessary to meet our commitments at home and abroad, we simply cannot afford to dissipate our available manpower by deliberately encouraging an increase in the nonworking population. On the contrary, we should do everything we can to encourage competent people to remain in the labor force as long as their physical and mental capacities permit.

As I have already indicated, we think that these arguments advanced by Mr. Staats are eminently sound and that they apply with at least equal force in the case of male workers covered by social security. We trust that your committee will agree.

In saying this, we are completely mindful of the fact that last year your committee voted to amend the then pending social security bill, H.R. 12580, to lower the retirement age for men to 62, although this amendment was deleted from the bill as finally enacted. We are also mindful of the fact that only 4 years before—in 1956—your committee had opposed reducing the retirement age even for women (other than widows) and had then expressed the conviction that a—

reduction in the age for men would be even more undesirable than a reduction in the age for women. (See S. Rep. 2133, 84th Cong., 2d sess., p. 16.)

Needless to say, we hope that your committee will revert to the line of thinking that you evidenced in 1956 and vote against any reduction in the retirement age for men.

5. Proposed increase in widow’s benefit

We also question the wisdom of increasing the widow’s social security benefit over that payable under present law. It seems to us that the pending proposal to increase this benefit to 82½ percent of the deceased husband’s own primary benefit is purely arbitrary and represents a step in the direction of ultimately increasing the widow’s benefit to 100 percent of the deceased husband’s primary benefit.
Moreover, under the proposed increase many widows who had never been in the labor market at all would receive benefits in excess of those received by retired women workers who had paid substantial taxes into the program. This could easily lead to strong protests of "discrimination" on the part of such women workers and to demands that their own benefits be increased. And it requires no serious stretch of the imagination to foresee that if such demands were made, unmarried retired male workers would promptly insist upon like treatment.

In summary, therefore, it appears to us that the proposed increase in the widow's benefit might well set in motion a chain of events that could easily disrupt the entire social security benefit structure and add greatly to the cost of the program.

In closing, I should like to express my appreciation for having been permitted to appear before your committee to express the foregoing views. I sincerely hope that you will find these views helpful in your appraisal of H.R. 6027.

The Chairman. Thank you very much, Mr. Adams.

Any further questions?

Senator Hartke. Yes, Mr. Chairman.

The Chairman. Senator Hartke.

Senator Hartke. In other words, when you summarize the arguments of Mr. Staats in regard to the retirement of Federal employees—

Mr. Adams. Yes, sir.

Senator Hartke. You are familiar with what I am talking about?

Mr. Adams. Yes, sir.

Senator Hartke. There is quite a bit of difference, is there not, about talking about people retiring between the age of 48 and 60 and the retirement of a person, the possible option retirement age, at 62 of a man?

Mr. Adams. Because of the qualification by 30 years' service—

Senator Hartke. Yes.

Mr. Adams (continuing). Giving the possibility——

Senator Hartke. But the comparison you are drawing there is about permitting retirement between the ages of 48 and 60.

Mr. Adams. No. We feel there is a conflict between what one department is saying and what we are considering here.

Senator Hartke. What I am trying to reconcile is that conflict in your mind; that is, let me come on back then.

Mr. Adams. Yes, sir.

Senator Hartke. In your quotes from the Department of Labor at that time you quote that the Director of the Budget, or Mr. Staats, the Deputy Director of the Budget, said:

We cannot endorse the premise that experienced, capable employees in the age range of 48 to 60 should be encouraged to leave the Nation's work force when we need their work product.

But there is no provision in this social security legislation which deals with either optional or full retirement benefits at the range between 48 and 60.

Mr. Adams. I believe we tried to talk about the need for skilled labor and the fact there that provisions such as Mr. Staats seems to criticize would be against public interest.

Senator Hartke. Yes. He is talking about the possible retirement of the people at the age of 48.
Mr. Adams. Right.
Senator Hartke. And up to the age of 60.
Mr. Adams. Well, probably 48 is the earlier—
Senator Hartke. That is right, under the 30-year retirement. But there is a lot of difference, you would admit, between a man retiring at the age of, say, 48 and a man retiring at the age of 62.
Mr. Adams. There certainly is, sir.
Senator Hartke. Do you think really that there is any great incentive to a man, in anything that you say, to induce him to retire in order to receive $22 per week maximum?
Mr. Adams. Could I ask you a question, Senator?
Senator Hartke. Well, let me come on back, let me withdraw that, sir. You say:

In addition, in these days when people are enjoying the benefits of ever increasing longevity, we feel that it would be both socially and economically undesirable for Congress to pass a law which would tend to induce and, in many cases, force men to terminate their productive lives at age 62.

I wonder what inducement there is for a man to retire involuntarily, forgetting the fact that you used the word "force," what inducement there is in a man at age 62 retiring at a maximum benefit of roughly $22.50 a week?

Mr. Adams. Senator, not answering your question directly, but I believe it was estimated when we reduced the retirement age for women from 65 to 62, there would be a certain number of women accepting that opportunity.

It is my recollection that the number who did elect earlier retirement was much higher than the number anticipated. I cannot answer as to why, but it just seemed to happen.

Senator Hartke. I mean, admittedly, if it does, do you see really much that is socially or economically—what social and economic factors there would be to induce a man to retire, unless the circumstances were such that he probably cannot continue to work under his present circumstances and good health, at the age 62, in order to get $22.50?

Mr. Adams. Would that be the only reason?

Senator Hartke. What I am getting at, I just cannot conceive of how a man is going to voluntarily retire to a maximum amount of $22.50 a week, what social and economic factors are going to make him retire at that age.

Mr. Adams. Sir, you asked a question. If I may cite my own personal situation, cite myself as an example, I will be 65 at the end of August next year. I retired the first of February this year. That is a personal choice. I do not know why they do these things, but we feel that this is something which you should consider, that it might be the result.

Senator Hartke. It is hard for me to conceive of how any man is going to voluntarily retire; in other words, we are not forcing people to retire.

Mr. Adams. No, sir.

Senator Hartke. And to that extent, at least, this statement implies that there is an intention to force men to retire at 62; isn't that right?

Mr. Adams. We say that we believe it would be socially and economically undesirable to pass a law which would tend to induce, and equally we say, would force men to terminate—
Senator Hartke. How could this law force them to terminate it?

Mr. Adams. There could be circumstances where that might apply. I do not know to what extent. It is possible.

Senator Hartke. All right.

I would like a little explanation of when you say in your statement there in regard to the proposal to increase the minimum benefits, you say:

It appears to us that further arbitrary increases in the minimum benefit would have the definite tendency to lead to the eventual breakdown of the established relationship between wages and benefits at any level.

I was wondering if you could give us a little exposition of that.

Mr. Adams. If I am correct, the social security program is based on a wage-benefit relationship, with the exception of the minimum, which is an arbitrary figure. I do not say that the raise from $33 to $40 would do it, but I could make, I think we could make, as good a case for the person who could not live on $40 as the person who could not live on $33, so that at some point, the further raising of this minimum benefit will create a looseness which might—which could—eventually break down the established relationship between wages and benefits at any level.

Senator Hartke. You do not feel that the amount of $40 is excessive, do you?

Mr. Adams. I certainly do not. I think we said here we have as much sympathy as anyone could have for people receiving the current $33 minimum benefit. But other than for the fact that there are people who have been retired in the past under lower wages, et cetera, this thing is not of great importance today because, as I see it, anyone making $66 a month would get $33 in wage related benefits, and $66 monthly wages today is a pretty low figure, is it not, sir?

Senator Hartke. The point that I said is that you do not really feel that the amount of $40 a month is excessive, do you?

Mr. Adams. No, I do not.

Senator Hartke. I am moving backward. You left in the middle of the statement, so I was moving that way. In your statement on page 6, I think you have a correct assumption there. I just wonder what is wrong with taking people off the public assistance rolls and providing an opportunity for them to participate in a plan where they will make contributions as they go through life?

Mr. Adams. Did we say it was wrong, sir?

Senator Hartke. Pardon me?

Mr. Adams. We did not say it was wrong. We said that in connection with the emergency nature of this legislation and the need to improve incomes and to speed up recovery, and so forth, we just wondered how that would occur when you simply transferred from one to the other.

Senator Hartke. Then I take it you are really basically in sympathy with the approach which would tend to eliminate people from the public assistance rolls and put them under a system in which they really made contributions as they go through life on their wage-earning lives?

Mr. Adams. Not necessarily.
As I understand it, there is a double system whereby aid is provided to aged people. One is under the old-age assistance program, and the other is under social security.

Senator Hartke. Neither one of us is under any misimpression. When you give a man a dollar it has to come from some place, does it not?

Mr. Adams. That is right.

Senator Hartke. But it is a whole lot better, is it not, for a man to follow an insurance-type plan than it is to just go right to the treasury of either your township or your county or your State government or your Federal Government and just raid that in order to pay for these benefits.

Mr. Adams. Did you say raid?

Senator Hartke. That is right.

Mr. Adams. You have given me a question, sir, that will take a little——

Senator Hartke. Just take the question as to what you hope I intended to mean. If you do not like the words I used, I am not trying to hang on you any words.

Mr. Adams. Well, personally I think the basic thing is that it is necessary that all of the indigent citizens of the United States be cared for on some basis.

Now, how you do it is another matter. We feel, and I think I tried to bring out here, the social security program is one which has been subjected to a repetition of modest or apparently modest changes or increases which over 12 years have come to aggregate what we feel to be tremendous increases. This particular piece of legislation seems to be just another one of those little things which by themselves are not too serious, but which added to the total are responsible for the figures that show that maximum social security taxes have increased over these years by 380 percent.

Senator Hartke. But you say that the indigent must be taken care of, isn’t that right?

Mr. Adams. Yes, sir; in accordance with their needs.

Senator Hartke. But you prefer to take care of them under the old age and survivors insurance plan rather than on a social security approach?

Mr. Adams. We feel that, and possibly you might agree with that, the farther you get away from the needs test the less restraint there is on the program.

Senator Hartke. All right. Thank you. I would not agree with that, but that is all right. That is all.

The Chairman. Thank you very much, Senator Hartke.

Senator Bennett?

Senator Bennett. No questions.

The Chairman. Thank you very much, Mr. Adams.

Mr. Adams. Thank you, sir.

The Chairman. We are honored today to have the distinguished Senator for West Virginia, Senator Robert C. Byrd. It is a great pleasure to have you, Senator, and you may proceed.
Senator Byrd of West Virginia. Thank you, Mr. Chairman and members of the committee.

I am grateful for this opportunity to appear before your committee in behalf of H.R. 6027. I am specifically interested in the provision, beginning on page 2 of the bill, to allow men to receive reduced benefits at age 62.

When I first came to Congress in 1953, I introduced a bill in February of that year to permit men and women to retire, on a voluntary basis, at age 60. I reintroduced this proposal in subsequent years during my service in the House of Representatives. I came to realize, however, that the time has not yet arrived when we might expect to see voluntary retirement permitted at age 60. Consequently, last year I decided to modify my proposal, believing that a half loaf is better than no loaf at all. Accordingly, when H.R. 12580, the omnibus social security bill, reached the Senate last year, I submitted an amendment to allow voluntary retirement for men at age 62 with actuarially reduced benefits. I succeeded in getting 18 other Senators to cosponsor my amendment, and I appeared before your distinguished committee in behalf of the amendment. Senator Kerr and Senator Hartke and others on your committee were as interested as I in the amendment, and the Senate Finance Committee adopted it. The Senate later approved the measure, but, regrettably, the amendment was deleted in the joint Senate-House conference action.

I reintroduced my proposal to permit men to retire at age 62 shortly after we convened in January of this year, and I might say, parenthetically, at this point, that Senator Douglas, the distinguished Senator from Illinois, who sits on your committee, also introduced a measure to permit men to voluntarily retire.

Senator Douglas. Let me say that the credit for pursuing this matter belongs almost entirely to Senator Byrd of West Virginia. I was not trying to hijack this measure, but I had forgotten temporarily that he had been sponsoring this in previous years, and I hope it will be his measure and not mine.

Senator Byrd of West Virginia. I thank the Senator. I think I was also responsible for inclusion in the Douglas Committee Report to the President of the recommendation that legislation be enacted to permit such retirement at age 62.

Senator Douglas. That is correct.

Senator Byrd of West Virginia. The President later announced his support, and we now have the opportunity to favorably act upon the proposal and make it become a reality.

An estimated 560,000 people can be expected to get benefits under the amendment during the first 12 months of operation. Taking into account the increase in the minimum benefit also recommended at this time, the additional benefits that would be paid out during the first 12 months, to men claiming benefits before age 65, would be $440 million. There would be no level-premium cost for this proposal.

Under this proposal, a man who decides to apply on his 62d birthday can draw social security benefits equal to 80 percent of the amount he would receive were he to wait until he reached his 65th birthday.
He would have the option of receiving a proportionate increase—five-ninths of 1 percent—for each month he delays retirement after age 62. For example, a man entitled to a benefit of $100 per month at age 65, would receive $80 a month if he chose to retire at age 62, under my amendment. If he decides to wait until he is 63 to apply, the benefit he would receive for life would be increased to $80.67 monthly. If he applied at age 64, his monthly benefit would be $83.34.

It is my understanding, Mr. Chairman, that the provisions which were adopted into law with respect to reduced benefits for women have occasioned no administrative difficulties. In the light of the experience gained from the years in which the lowered eligibility age for women has been in effect, I think one could be confident that the adoption of the proposal would prove to be similarly beneficial and advisable. In other words, the 1956 amendment has worked out all right in the case of women, and it should prove to be the same for men. At the time the 1956 amendment was adopted, there was some skepticism about how well it would work. It was charged that the lower retirement age would encourage employers to lower the compulsory retirement age for women employees. Opponents maintained that it would discourage the continued employment of older women workers whose potential work life would thus be shortened. Experience, however, has failed to bear out these skeptical fears and the average age of retirement for women has not been lowered by the reduced annuity.

I realize that there is some question as to whether it is desirable policy for the Government to encourage early retirement when the science of geriatrics is lengthening the lifespan of men. Yet, it is my understanding that only about half of the women eligible for retirement at age 62 elected to retire when the 1956 amendment was adopted. I think we can properly assume that not so great a percentage of men would elect to retire at 62. Many of the women who took benefits in 1956, had been working during the war years and had not been working immediately before the adoption of Senator Kerr's amendment. Most men will continue to work until age 65, or somewhat thereafter, as long as they are physically able or as long as there is employment. Moreover, Mr. Chairman, automation is here to stay and it constitutes a growing problem with which our society is going to have to deal more and more in terms of unemployment. A recent study of automation prepared by the National Planning Association points out that, according to Census Bureau estimates, the average annual increase in the labor force is presently 700,000 to 800,000 and that, by the year 1965, it will reach the figure of 1 million or more. It is necessary then that we find new job opportunities for these younger workers who are annually entering the workforce.

Additionally, the problem of changing markets poses itself in the question of whether or not the needed job opportunities will appear at the right place and at the right time. The rate of increase in employment in some of the industries now being automatized does not begin to match the increase in productivity made possible by new processes. For instance, in the chemical industry, productivity rose 53 percent between 1947 and 1954, but employment rose only 11 percent. In oil refining, output increased 22 percent since 1947, but total employment fell by 10,000. Automation has made itself felt in the mining areas of my State. Whereas only a few years ago 135,000 miners were employed in West Virginia, today less than 40,-
A continuous mining machine operated by six workers will load the coal originally requiring the time and labor of 40 men. The problem is not peculiar to West Virginia. The textile and shoe workers in the New England States have experienced the same sudden shift in an employment pattern which had existed for over 100 years. Further changes will create catastrophic dislocations of workers.

Mr. Chairman, there are approximately 1.7 million men who potentially would be eligible to retire at age 62 immediately if this bill is enacted as written. They would not be forced to retire. The choice would be an optional one, and it would be up to the individual. There are many—in fact, a majority, I would assume—of these men who would prefer to continue to work. Yet, on the other hand, there are some who would want to retire and who should retire. There are many individuals who are not physically able to continue working after they reach the age of 62; yet they are not disabled to the extent that they can qualify for disability benefits. This bill would permit these individuals to retire and make room for younger workers.

Mr. Chairman, this provision in the bill is of great importance to that relatively small number of men who, because of ill health, unemployment, underemployment, or other personal reasons, find it impossible or ill advised to continue working until they attain the age of 65.

It is of importance to the thousands of unemployed coal miners and railway workers in my State, many of whom have passed the age of 62, who are unable to find employment and who, in many instances, are physically incapable of working in the mines or on the railroads if jobs could be had. These individuals could elect, if they so chose, to retire, and by the provisions of this bill they and their families could have security whereas, under present law, they must wait until they are 65 years of age to receive benefits. This bill, then, will mean a check instead of a handout, security instead of insecurity, and hope instead of despair for individuals in these circumstances. I hope that the committee will favorably report this bill and that it will leave intact section 102 which provides for a lowering of the retirement age for men.

The CHAIRMAN. Thank you very much, Senator Byrd.

Any questions?

Senator Byrd of West Virginia. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, sir. We are always pleased to have you, sir.

Senator Byrd of West Virginia. Thank you.

The CHAIRMAN. There is one more witness, but the members of the Senate must be on the Senate floor promptly at 12 o'clock in order to go over to the House to hear the President, and I assume we have not adequate time.

Mr. Williamson, how much time will you take?

Mr. Williamson. I was given 10 minutes.

The CHAIRMAN. You will have to hold yourself to 10 minutes because we have to be over there at 12 o'clock.

Mr. Williamson. Yes, sir.
STATEMENT OF W. RULON WILLIAMSON, WASHINGTON, D.C.

Mr. Williamson. I am speaking in opposition to the added tax on benefits of the program.

I am more interested in the growing dependence of the American people, but still vitally concerned with costs of what we have to do.

I wrote the latter part of this entitled "The American Declaration of Dependence" before securing House Report No. 216, and I have added two more pages, putting in material following the presentation in these two reports, 216, and the executive hearings which were extremely valuable.

Over the years I have accumulated working sheets as to the financial progress of income and outgo for OASI. Before this committee in 1956, I presented a graph showing the gradual rise in tax income year by year and of the benefits and administrative costs until 1950 when the rise became steeper. I had an estimate for 1956, which was rather off at the end of the year.

The biennial changes from 1950 onward cannot individually be traced afterward to compare the specific effect of each change, any more than one can follow the water particles from each tributary in the bigger river. But on page 5 and page 6 I have summed up the OASI picture as to costs, feeling that this is probably one of the difficult things in the discussion of these benefits, and I am limiting myself to history in this section and not forecasting. Twenty-four years of OASI, the system as a whole, these 24 years, begin in 1937, and carry through into 1960.

I am dividing these years into five periods, the first of 4 years, then the four periods of 5 years each; total taxes are there from the three sources, individual employees, individuals self-employed, and employers.

The total taxes from these three types and the ratio of growth in the trust fund for the period to those taxpayments reported in the period showed this sequence:

In that first period of 4 years, the taxes were $2 billion and the trust fund growth was 100 percent of that $2 billion.

In the next 5 years the taxes collected were $5.6 billion; the trust fund growth was 90 percent of that $5.6 billion.

In the next period taxes were $8.9 billion, and the growth in the trust fund was 75 percent of those taxes.

In the fourth, the taxes collected were $22 billion, with the ratio to trust fund growth to the taxes being 34 percent of what occurred.

The last period, 1956 through 1960, taxes collected were $40 billion, and there was a decrease of 3 percent of that amount in the trust fund.

Now, that first single year of 1937 showed taxes of $500 million, benefits of $1 million.

The 14th year, 1950, showed taxes of $2.7 billion, benefits of $1 billion.

The 24th year, 1960, showed taxes of about $11 billion, benefits of $11 billion.
After the early years the administrative costs have been added to
the benefits and included in these figures.

In those 21 years the income from taxes has risen 22-fold, the
benefits and administrative costs charged against the trust fund
11,000-fold.

The Department of Health, Education, and Welfare expresses little
regret at this sequence, and at the deepening dependence of the citi-
zens upon the national bureaucracy.

A large percentage of the taxes was transferred to the trust fund
when the taxes were small, and it is to be noted that each period's
taxes exceed the tax collection of all previous periods. It is then
serious when, in the last period, of more than half of all the taxes
collected there occurs a loss in the trust fund.

On the benefits and administrative costs side, the growth is eleven-
fold in the last 10 years, an average of $1 billion a year or the 10-year
increase has been a thousand percent. Now, that is the system as a
whole.

For the individuals with 24 years of individual tax situations, the
average personal OASI tax in 1937 and for 3 years afterward was
around $9 a year.

By 1960 the average individual tax has reached $80, if we only
averaged the burden among those paying taxes that year.

If we spread it among all those who are covered, who have a rec-
ord of some taxpayment under OASI in the past, the average would
be nearer $60, but even then an increase to more than six times the
early taxpayment. The trend has been up.

It would have been still more up had the recommendations of
the staff servicing the Committee on Economic Security not been
doubled for the starting rate at the insistence of Secretary Morgan-
thau of the Treasury who demanded a self-supporting or self-suffi-
cient system free of subsidy from the general revenues of the National
Government.

As against these averages that recognize the low salaries taxed at
the start, and the surprisingly low averages still showing up in the
reports, quotations customarily made by the Social Security Ad-
ministration are for the top salaries, persons paying top tax in each
year.

In 1937, the top salary taxed was $3,000, but the average was only
$900.

Working back in recent years from the awards to those qualifying
for monthly benefits, and using the conversion table in the most
recent act, the top salary or wage taxed is $4,800, but the average
awards seems based on about $2,100, yet so solicitous has the law
become not to follow the wage taxed but to apply considerable
padding, that I suspect the average wage tax for primary awards
1937 through 1960, might be as low as $1,500, since there has been
a great deal of completely untaxed time for the new categories that
have been brought in as well as for the intermittent employment due
to war service and the like.

I suspect that the average tax is held down pretty much by the
realism of the small wages which were taxed in those early years.

A top tax man might have started with $30 in 1937 as a taxpayment,
and along in his later years become self-employed, and under a 4¼-

percent tax rate, in 1960, have paid $198 or again six times his starting tax.

Against the present rates, tax rate is scheduled to increase by more than 50 percent in the next 8 years. I should state that this is old age and survivors, but leaving out the disability part of the tax.

There has been a good deal of discussion on how much people have paid for their benefits as time goes on, I got very much interested last year, and at the request of my actuarial friends put through an analysis of some 71/2 million people who were on the primary award record at the end of 1959. They had been retiring from 1940 onward, making up a good many separate cohorts, and it was a rather fussy job, and I cannot do these things exactly. The Social Security Administration has been pretty busy so as to keep them from developing the statistical background for detailed things of this sort, but so far as I could work it through, it looks as though those 71/2 million people had paid about $3 billion in taxes, and that they, their wives, their widows, the minor children who draw some benefits, and aged parents and death benefits, might draw as much as $120 billion of benefits from the time of the award up to the time of the study, and then carrying on for the rest of their benefit period, $120 billion of benefits, $3 billion of taxes, or $40 benefit per dollar put in.

So that in a sense that would be a philanthropic aid to the person from somebody else of 971/2 cents, and 21/2 cents of his own money back.

But even that is a little in question because since we have now about a quarter of what we have put in in the trust fund, perhaps three-fourths of the man's money has gone for other people, and he only ought to claim a quarter of that money for himself.

I have put down, on the back of this report here, a statement made by Senator Curtis back in 1949 for the actuarial forecasts of what costs were going to be in the future. This is not any particular past law. This was in the course of considering amendments very much like the law that went through in 1950.

Then in 10 years it was expected that we would be paying out about $4 billion even if we universalized the program; in 50 years we would be paying out about $12 billion, and the fact is that in the 10 years we have done a 50-year progress.

The CHAIRMAN. Mr. Williamson, I am very distressed to interrupt you; it is now 11:55 and we must leave immediately to hear the President in joint session. Your prepared statement will be placed in the record, following your oral remarks.

Mr. Williamson. Thank you.

(The prepared statement of Mr. Williamson follows:)

STATEMENT BY W. RULON WILLIAMSON, RESEARCH ACTUARY, WASHINGTON, D.C.

I am appearing today to speak against the 1961 social security amendments. The following characteristics mark that system and these amendments thereto:

(1) It places security above freedom.
(2) It continues to avoid reaching a compelling philosophy.
(3) It strengthens the chains upon the individual.
(4) In following Marx and Keynes, it breaks with our tradition of a Federal republic of "checks and balances" by substituting bigger Treasury checks and bigger national debt—admitted and unadmitted.
(5) In its stated concepts of insurance and actuarial soundness, it largely ignores recognition of the invention that is level premium individual life insur-
ance, through which men can individually meet certain responsibilities for their families, involving the annual chances of life and death.

(6) It is on the side of isolation in monetizing the debt we bequeath our children, thus debasing our currency, and triggering the demands for still more security.

(7) It now moves from the biennial benefit-boosts into double-quick annual boosts, as in the quickened rhythm of the galley-slaves in the recent Ben Hur movie.

(8) It avoids, specifically, the answers to the query: "After all, who does foot the bills, when, how much, for what and whom, and why?" Can all get a bargain?

(9) It postpones shifting away from the alien idea of expecting Government to be the major and prior provider of personal benefits in the fields of saving, investment, insurance and philanthropy?

(10) It continues to ignore many oft-stated objections to the social security program.

1961 Ways and Means Committee reports.—I prepared "The American Declaration of Dependence" for this committee before I secured the two reports of the Committee on Ways and Means, Report No. 210 on H.R. 6027, and the publication of the closed executive hearings on H.R. 4571, which together record the familiar pattern of starting with larger demands and compromising on a middle course. Somewhere in these two reports—these most informative reports—are recorded most of my 10 points above. I do not know which straw it will be that breaks the camel's back, but on page 5 of my appended statement I note the growth of the tax load resulting from the wearing out of selection and from the periodic amendments. It is surely a pronounced public service that gives us "the thinking out loud" of those hearings and public Report No. 216, reflecting the compulsion to act, in spite of the 10 points listed.

Social budgeting.—When, during the great depression I was trying to rationalize the National Government's function in the social security field, I saw it as a supplementary balling out along the line later adopted by the Canadian Government in its grant of $40 a month to each citizen at age 70 and above. I called that method social budgeting. The priorities, in my mind, ran: first, self-provision by personal budgeting; second, fringe benefits from employers and union activity; third and last, Government. In Benjamin Franklin's "We have given you a republic, if you can keep it," we had the chance to be a chosen people. Actuary Peterson's two papers on "Misconceptions" and "The Coming Din of Inequity," Frank Dickinson's fraternal-assessmentism approach, Actuary Griffin's "You push the button today that rings a bell 20 years hence," the Canadian discussions on portable pensions, the many-sided emphasis upon later, not earlier, pensions, age-wise, all of these are illustrative of a renewal of grassroots thinking, to some extent reflected in the official reports, largely ignored. Senator Carl Curtis' attached speech before the House in 1949 shows the same vigor of inquiry as to social budgeting as do the men just mentioned.

Costs and projections.—On page 9 of Senator Carl Curtis' 1949 speech are quotations of actuarial forecasts of the time, carried forward for 10, 20, 30, 40 and 50 years from 1949. They include a pending program and universalization thereof. Here we find $4 billion costs for 10 years off, and $12 or $13 billion 50 years thereafter. The 1949 contemplation of costs left out, we are told, the costs of potential changes. Today's $12 billion seems to anticipate the 1969 status about 40 years ahead of time. Today's modest addition of one-fourth of 1 percent to the 5.5 percent OASI tax increases the tax rate but 4 percent. Yet, requests repeatedly for such new money only a 4 percent progress can pile up. In 40 years it could be a fivefold growth. It exceeds the rate of annual population growth, called the population explosion. On page 21 of Report No. 210, Mr. Myers has set down the figure $32 billion for the year 2000. Sticking to the triple growth of 12 years for the 30 years that lie ahead as from amendments of liberalization, that figure would be $98 billion.

Transferring benefits from public assistance to OASI.—Since OASI has been a blend ( Peterson says so bland a blend as to blind us to blunders), a blend of self-support and relief, there has been much interest in the age part as to how much the aged primary retired and their dependent families might get; in benefits, compared with the taxes paid in on them. My study at the end of 1959 on 77½ million primaries on the rolls shows potential benefits as 40 times the potential tax payments. That would indicate 2½ percent self-support and 97½ percent outside philanthropy. Perhaps the figure at the end of 1960 for the larger group
would be nearer 3 percent and 97 percent. This allows all personal tax payment to be directed to the individual's benefits. With a trust fund of but one-fourth of the taxes paid, one could say that but one-fourth of the tax was for himself and three-fourths for others, with his self-provision but 1 percent of benefits. The personal account and the rationale of the whole finance are yet to be thoroughly explored. Figures cannot be precise, and assumptions offer great variety to the student.

In the two official reports, no one seems to have said "He paid for it." On the other hand there is considerable stress on transferring benefits from Public Assistance to OASI. The presence of need is stressed, but meeting need by formula instead of specifically to deal with destitution is said to cultivate dignity and pride in the recipient by using the words "social security" or "insurance." We have the assistance in operation. To use them to meet established need seems much more straightforward than to follow the blunderbuss method of providing enough for need for the most needy and three or four times that much for the relatively opulent. The changes of A, B, C and D seem artificial and expensive, complicating, rather than clarifying our already confused thinking. I am sure also that relief is more soundly administered locally and that the recommendations to substitute formula for meeting need is more bureaucratic than strategic. The speed of getting under action under I almost suggests that given time, reason might win out. The G of raised contribution starting in 1962, but with benefits starting in 1961, would seem apt to pay out more than the available income in 1961. It seems to minister to the buy now, pay later, dogma.

Undesirability of H.R. 6027.—Altogether, the changes seem to me to involve indeterminate assessment of the response from the citizens to the revelation of more available windfalls. Also, the larger dose of thinly veiled increased dependence outweighs any possible gain from pump priming, dubious at best. There is little evidence that it worked much recovery in the great depression, to which today's onset of consumer prudence shows little relation. The official reports also point to the nonwisdom of warping long-range programs for short-range objectives. The skeleton of dry bones here presented from my statement is given more flesh in the full report, which strongly recommends looking at the full load of straw, as well as this last straw to be added to the pile.

THE AMERICAN DECLARATION OF DEPENDENCE

(BY W. RULON WILLIAMSON)

SOCIAL SECURITY'S OASI

Like the iceberg, most of the weight and mass of social security is out of sight. For 24 years, the old age and survivors insurance portion of social security has been visible and periodically reported. It is with this visible portion I am herein concerned, as evidence of the out-of-sight portion's characteristics.

But first there is some background to examine. And I am solving no problems—just sharing with you some of the results of applying to the chill of the iceberg the arithmetic which has well served me in my profession.

April saw the end of the yearly financial review for income-tax purposes and the end of Lent's spiritual appraisal. Winkler's "Man—the Bridge Between Two Worlds" examines the material and the spiritual worlds.

An actuary, I also have stood between two worlds in my professional life. The first world is that of the individual and the family, served by individual life insurance—ordinary and industrial. In that world of the individual, man has risen from feudalism or serfdom to the responsibilities of freedom—or from status to contract. The second world is that of all society, where man seems dependent upon government—from the tribe to the state.

It is the second world which reduces the individual's importance and magnifies the importance of society. Control moves progressively further from the man himself, first to the local community, then to the sovereign state, then to the centralized national Government considering this Nation.

It was the first world of responsible men, men of widely varied qualities and responsibilities, which was envisioned in our 1776 Declaration of Independence. Our Federal Government minimized the domination of a strongly centralized
national Government, with a mushrooming bureaucracy. It tried to keep close to the citizens in its responsible local government.

It was in the second world—that, as Roscoe Pound said, comparing it with the mint julep habit, "they creep up on you"—"They" being successive doses of dependence. In this second world security can come to mean more than freedom.

The Old Testament Amos said that he was neither a prophet, nor the son of a prophet. He did not pretend to read the future. But centuries before the Christian era, he had a tremendous insight into its dominant values. Thanks to the invention of movable type and more recent methods of duplication, we have at our fingertips impressive historical records of such as Amos and of other national developments. I am touching lightly on Greece, Rome, Germany, England.

Greece.—Edith Hamilton tells us that the ancient Greeks discovered and loved freedom. Then they grew to prefer security. Then they lost both.

Rome.—Gibbon's "Decline and Fall of the Roman Empire" has long been a household word. A Wall Street Journal book review on April 4 of this year on the Canadian Hardy's "Why Rome Fell" said "The welfare state had become a despotism." The reviewer added "Ever higher taxes, and ever-increasing bureaucracy, the growth of an omnipotent state, the paralysis of local initiative, a growing reliance on a central authority that started with some features of a welfare state and ended in full-fledged totalitarianism—such was the unhappy story."

Germany.—In the 1880's Bismarck, the Iron Chancellor, established "State Socialism to fight "Marxist Socialism." He called one aspect social insurance. It covered, item by item, health insurance—both cash income and medical care—workmen's compensation, old age and invalidity benefits, unemployment insurance, and so on. Looking back on the pattern, the Austrian economist, Friedrich Hayek, now at the University of Chicago, called the system "the road to serfdom." The German citizen seemed to have moved from a hard-won personal independence back to dependence upon the state. He gave too ready compliance to near-totalitarian orders.

England.—Under Queen Elizabeth the existing parish administration of relief was nationally codified into the "Elizabethan Poor Law" 350 years ago. Following the Napoleonic wars, the system seemed too much emphasizing serving the paupers to the detriment of the whole community. Curbing of a "runaway welfare state" was accomplished by a law of 1834. It was followed by a rebirth of self-reliance and the great years of Britain's economy. Men said they would rather die than enter the workhouse.

Fifty years ago, lured on by the German example, which had yet "to come a cropper," the Fabian Socialists, the Christian Socialists, the straightforward Marxist Socialists and "labor" pooled their criticisms of British capitalism. The minority report of the 1905-09 Royal Commission on the Poor Laws was written by noncommissioner Sidney Webb for his commissioner wife Beatrice, and, pirated by the Webbs, was printed before the majority report—so thoroughly planned it took a full 3 years to complete. Welfare legislation started without waiting for the full report. Beatrice Webb "had little arithmetic," but her husband had a photographic mind and a facile pen. They also were the driving force behind the founding of the London School of Economics, later got Beveridge to head it, and were indirectly responsible for Keynesian economics.

During World War II the famous Beveridge report demanded "cradle-to-grave" state direction of the individual, to combat "the five giants—Want, Disease, Ignorance, Squalor, Idleness." Beveridge said it was "a time for revolution, for new orientation, for cooperation in developing a national minimum" (which we called "a floor of protection"). The Fabian dogma of "the inevitability" of gradualness had bored in effectively to make the temporary crisis the springboard for permanent socialist advance. I call it the method of "inserting the camel's head under the tent-flap." Coordinate with such "welfare growth" are evidences of "decline in British leadership."

Welfare—USA.—Harry Laidler, prime mover of the League for Industrial Democracy, is now busy writing its history. When I was in college, he was helping to organize its predecessor, "The Intercollegiate Socialist Society." Visiting the British Fabians at the time the Webbs were talking of "Industrial Democracy," Laidler must have been impressed into copying the term for his Intercollegiate Socialist Society. Among the impressive list of members have been Norman Thomas, Walter Reuther, Senator Paul Douglas. Abe Epstein,
who seems to have coined the phrase "social security," wrote much for the league, and effectively lobbied for State public assistance in State legislatures. Rubenow gave a course in social security about 1916 and was the first president of our Casualty Actuarial Society before we entered World War I. These three men, Laddar, Epstein, Rubenow did much to condition the United States to the acceptance of social security before the New Deal. The 1934 Cabinet Committee on Economic Security apparently thought it wise not to bring in those people who frankly called themselves Socialists, though emissaries were sent to interview Rubenow and Epstein. After the social security law had been passed, Epstein called it "the social insecurity law," and was taken on as a consultant by the Social Security Board.

I must have seemed safer—trained in a stock multiple-line company. I was added to the staff servicing the committee in October 1934—some 3 months before the completion of the committee's report.

Two other important forces in the formulation of our law were the International Labour Organization of Geneva and the Social Science Committee work of the Rockefeller Foundation. There were many other elements. Altogether their "fast work" created many strains more and more in evidence with the passage of time.

"NORTH AMERICA IS DIFFERENT"

Greece was a set of city-state democracies. Rome was a far-flung republic, turning into empire. England was a monarchy, tinged with absolutism. France had its "slow burners." The United States of America was something unique in the world's history. Here had appeared a Federal Republic of sovereign States, designed with checks and balances and a separation of powers. Only those functions clearly assigned to the National Government were to be taken away from the States. The Founding Fathers had been living amid history, and sensed history in the making here in North America.

As this Committee on Economic Security debated, insurance was a State responsibility, and not a national one. Relief was a local, rather than a National or a State responsibility. However, the State programs sponsored by Epstein and others had created State plans of mother's pensions, old age assistance, aid to the needy blind. The poorhouses had mainly remained town or county homes, for the slender proportion of economic casualties in our Republic of opportunity. Most persons expected to maintain personal or family solidarity, and most philanthropy was nongovernmental. So far as we could find out in the early thirties, but 1 percent of those over 65 were in the poorhouses.

LIFE INSURANCE

Among the inventions of modern life used by Americans was life insurance. Its basic development had been British. From the parish records of Breslau in Silesia and the "London bills of mortality" Halley (the comet man) had evolved the first life table. The Amicable Insurance (and Annuity) outfit had been organized in 1705. The Old Equitable of London, recognized as the first truly scientific life company still in existence, was founded in 1762, two centuries ago. 1776 was not only the date of our Declaration of Independence and the date of Adam Smith's "Wealth of Nations," but also the date of the first actuarial investigation of the Old Equitable, and of the first declaration of life insurance dividends.

Life insurance has enabled men to face the meeting of life insurance premiums—level throughout the premium-paying period—for annual chances of dying, now running as low as 1/2 per 1,000 lives exposed and as high as 500 per 1,000 lives exposed at ages 10 and 110 respectively. One can equate the present value of premiums to be paid by the insured with the present value of benefits liable to be paid by the company to the insured, and call the situation equity. Premiums can either be payable over the whole period of life, or condensed into the likely period of effective earnings to age 60, 65, 70, or 75. Life insurance is one of the many thrift facilities open to the would-be self-sufficient citizen.

One year term insurance where the premium rises slowly till about age 60, and then much faster to the last age of life, may look satisfactory to the young man, but a very different thing to a man of my age, where the yearly increase is obviously inconvenient. The ordinary life or limited payment life is more comfortable to live with when income shrinks.
Death benefits are but one side of the insurance structure dealing with life contingencies. The other side is illustrated by the annuity payable to the annuitant so long as he may survive, paid for by successive annual premiums or by a single premium. A graph will emphasize survival from age 0 to about 110. It shows that the chance of 20 might have 7 chances out of 10 of still being alive at age 65, and 3 chances out of 10 dying before age 65. The graph also indicates the structure of a stationary population, were deaths exactly balancing births year after year for over a century.

While the level premium for life insurance can be mainly of the nature of savings, the annual premium for a deferred annuity—a straight annuity—seems all savings, until the annuity payments begin. Even at a low rate of interest, the single premium for an immediate annuity at age 65 will be double the sum of the annual premiums starting at age 20, and payable for 45 years. Advance provision makes interest work for one. Delayed payment adds noticeably to cost met in arrears.

The intent in both level-premium life insurance and level-premium life annuities is to have all the premium payments made to the company before the company begins to pay benefits, to the beneficiaries of the insured, or to the surviving annuitant.

STANDARD SECURITY PROGRAM

I have sketched in this background for a number of reasons:

Because it is so rarely covered in social insurance discussion.

Because in 1935 the life-and-death program of old-age and survivors insurance (OASI) has come to take the name of the whole “welfare fleet”—social security. Social security in the United States already includes benefits at death, in old age, invalidity, some medical costs, unemployment compensation. It could include children’s allowances, marriage portions, more costs of medical care, and so on.

Because OASI is called insurance, because it is quoted as “tried and tested,” proved by a quarter-century of operation.

Because it has actually run 24 full years (3 when called old-age benefits) of tax collection and benefit payment.

Because it started by denying monthly age benefits for 5 years, the very purpose of its founding, and warped the financial picture from the start.

Because clean-cut rationalization of OASI is mighty rare—and long overdue—but with the necessity of knowing the system growing steadily as history writes itself into increasing complexity.

Because while all life insurance company benefits—payments last year ran but $8 billion, while those of the monopolistic Government competitor topped $11 billion there is no “tapering off of the Robin Hood’s activities.”

Because today 60 percent of the over-age-65 population of the United States seem to be drawing OASI age benefits—primary, wives, widows, parents, with the age benefits also including dependent minor children of retired men—these 88 percent of OASI benefit load, with 12-percent benefits following early death, before age awards granted.

Because the boasted aim is to widen and deepen the hold already secured, with continual increase in the taxes.

Because the insurance quoted by the protagonists of more and more OASI seems to me to be “the insurance nobody knows.”

TWENTY-FOUR YEARS OF OASI—THE SYSTEM AS A WHOLE

These 24 years begin with 1937 and carry through 1960. I am dividing those years into five periods, the first of 4 years (3 of old-age benefits, then the start of monthly benefits under the 1939 amendments) then four periods of 5 years each. The total taxes are from three sources, individual employees, individuals self-employed, employers. The total taxes from these three types, and the ratio
of growth in the trust fund to those tax-payments reported in each period show
the following sequence:

<table>
<thead>
<tr>
<th>Period</th>
<th>OASI taxes (billions)</th>
<th>Ratio of trust fund growth to OASI, percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1937-40</td>
<td>$2.0</td>
</tr>
<tr>
<td>2</td>
<td>1941-45</td>
<td>5.6</td>
</tr>
<tr>
<td>3</td>
<td>1946-49</td>
<td>8.9</td>
</tr>
<tr>
<td>4</td>
<td>1951-58</td>
<td>22.0</td>
</tr>
<tr>
<td>5</td>
<td>1956-60</td>
<td>40.0</td>
</tr>
</tbody>
</table>

That first single year, 1937, showed taxes of $500 million, benefits of $1 million; the 14th year, 1950, showed taxes of $2,671 million, benefits of $1 billion; the 24th year, 1960, showed taxes of $10,866 million, benefits of $11 billion. After the early years, administrative costs were added to benefits, and including above.

In 24 years the income from taxes has risen 22-fold, the benefits and administrative costs charged against the trust fund 11,000-fold. The Department of Health, Education, and Welfare expresses no regret at this sequence, and the deepening dependence of the citizens upon the national bureaucracy. A large percentage of the taxes were transferred to the trust fund when the taxes were small. It is to be noted that each period’s taxes exceed the tax collection of all previous periods. It is therefore serious when in the last period of more than half of all taxes collected, there occurs a loss in the trust fund.

On the benefits and administrative costs side, the growth is 11-fold in the last 10 years—an average of a billion dollars a year. Or the 10-year increase has been 1,000 percent.

### 20 YEARS OF OASI—INDIVIDUAL TAX SITUATIONS

The average personal OASI tax in 1937 and for 3 years afterward was around $9 a year. By 1960 the average individual tax had reached $80—if we only average the burden among those paying taxes that year. If we spread it among all who are covered (who have a record of some tax payment under OASI in the past) the average would be near $60—more than 6 times the early tax-payment. The trend has been up. It would have been still more up had the recommendations of the staff servicing the Committee on Economic Security not been doubled for the starting rate at the insistence of Secretary Morgenthau, of the Treasury, who demanded a self-supporting or self-sufficient system, free of subsidy from the general revenues of the National Government.

As against these averages—that recognize the low salaries taxed at the start, and the surprisingly low averages still showing up in the new awards—the quotations customarily made by the Social Security Administration are for the top salaried persons paying top tax in each year. In 1937 the top salary taxed was $3,000, the average taxed was $900. Working back in recent years from the “awards” to those qualifying for monthly benefits, using the conversion table in the most recent act, the top salary or wage taxed is $4,800, the average award seems based on about $2,100. Yet so solicitous has the law become not to follow the wage taxed, but to apply considerable “padding,” that I suspect the average wage taxed from 1937 through 1960 might be as low as $1,500, since there was a great deal of completely untaxed time involved, and the early wages averaged but $900. The top-tax man might have started with $30 in 1937 taxpayment, and along in his later years might have become self-employed, and at 4 1/2 percent in 1960 paid $108—or again 6 times his starting tax.
The present rates are scheduled to increase by more than 50 percent in the next 8 years.

**PRIMARY BENEFICIARIES END OF 1959, 71 MILLION**

Through 1954, wage records, based on sampling techniques, "blown up," were most carefully compiled. Whether the cost work for the constant snowballing of benefits bars the continued analysis of the records, or whether it seems inexpedient to make the information available, no frequency distributions of taxed wages have been available for 6 years. In 1953, carrying the work through 1952, it was reported by the Curtis committee within the Ways and Means Committee that the primary beneficiaries of that time apparently had paid but 2 percent of the potential full costs of their family benefits. This indicated a 98-percent "dependency.

Early in 1960 I was asked by actuarial friends what that situation was then. A study of the 7 1/2 million primary beneficiaries on the rolls at the end of 1959 included 20 cohorts. The first awards were made in 1940, the last ones in 1959. Using all possible actuarial knowledge, reinforced by general familiarity with the system, and certain informed hunches, plus a lot of routine computations, I completed a study. My first estimate had told me that relating the taxes paid by these persons to the benefits already to them after the awards, and to their wives and minor children, and their parents in very advanced ages, that future payments to them, and their widows and the lump sum benefits for burial purposes might be roughly 3 percent. But more comprehensive work seemed to show aggregate taxes of $3 billion, aggregate benefits of $120 billion (plus or minus perhaps 10 or 15 percent of these values). That cut the payments to 2 1/2 cents to the dollar—or "2 bucks for a nickel." This includes estimates of administrative costs. No interest is used. The little table above suggests the system to be a good prospect for Parkinson's second law: "In governmental finance outgo rises to use up available income." This law seems to please many individuals, too, who hasten to comply with it.

It is to be noted, also, that of $78 billion of taxes paid (all three contributors) but $20 billion remains in the Trust Fund. $58 billion is already water over the dam, and "the mill will never grind again with the water that is gone."

**POTENTIAL FUTURE PAYMENTS TO LIVING OASD TAXPAYERS AND FAMILY DEPENDENTS**

There are two classes of beneficiaries, the families of ex-taxpayers who have been granted awards at minimum retirement age or, later, the survivors of those taxpayers who died before being granted a primary award. The last month of 1960 all benefits paid (monthly and lump sum) totaled $516 million. Using the multiplier 100 seems to me to underestimate the potential total payments to the families and the primary retired. So I'll call that sum $90 billion. The primaries grew beyond 8 billion by the end of 1960 from the 7 1/2 million at the end of 1959. There may also be 100 million nonretired covered individuals with past taxpaying status. I have been unable to get a figure on this from the Social Security Administration, as they are continuously busy at the New Frontier. Again using hunches and deductions from the data available, I have come to a figure of potential future age payments to the 7 out of 10 who might live through to qualify for age benefits and their dependents of $2 trillion. I have reduced the figure by 25 percent—to be conservative—and am using $1.5 trillion. Adding an eighth more for the death benefits prior to retirement would bring in $200 billion, and adding to those last 2 items the $90 billion more to existing claimants, adds up to $1.79 trillion. The trust fund of $20 billion runs a bit over 1 percent of that dramatic figure—not much of a start after 24 years of tax payment mainly for deferred benefits, where the life insurance tradition would accumulate large reserves of funds.

If 7 1/2 million a year ago had met but 2 1/2 percent of the aggregate benefits expected on their account, and if all the funds left out of the $78 billion of taxes paid can meet less than 25 percent of their remaining demands, the reason for my label "Dependent" is obvious.

This OAST system has been the model set up for the disability benefits to follow with a separate trust fund—a second camel nosing under the tent flap. It is also declared the model for a system of more age benefits—medical care for the aged, for which the aged are to pay nothing, but to draw their benefits from a third trust fund created and maintained by their juniors.
A task force headed by the man now Assistant Secretary of HEW has recommended that during the next decade primary key benefits should be increased by 40 percent or 50 percent. Taxes already scheduled to be at a rate 50 percent higher than today, for OASI, should be paid up to $9,000 (not just to $4,800). Dependent widows should have benefits at rates increased by a third when applied to the much higher primary benefits. And it has been suggested that no child should have to look beyond the Federal or federally subsidized programs for any other philanthropic aid.

I believe the present system most inflationary. The moving in of the set of camels further and further into the tents would be much more so.

At the Census, 1940, 1950, and 1960, there seems to be what they call "the social security bias." Each time the Bureau has made careful advance estimates of the population over 65. They have found more each time: 600,000; 800,000; 900,000. The lure of mainly free benefits seems to age them faster, and makes the vital statistics more speculative as to death rates at advanced ages.

Critics.—Ray Peterson, vice president and associate actuary of the Equitable Life Assurance Society, writes about "Misconceptions and Missing Perceptions of our Social Security System—Actuarial Anesthesia" and about the "Din of Inequity." Frank Dickinson, a senior economist at the National Bureau of Economic Research, calls the social security principle that of "fraternal assessmentism"—the headache of a large body of experimenters in the life insurance field. An editor sends me an article labeled "Robbing our Children"—In OASI. Senator Carl Curtis in a recent hearing of the Senate Finance Committee discussing OASI indicates that many persons paying these taxes will find them higher than their income taxes, under recommendations for expansion already made.

Were I going on into the next chapter, its subject would be: "Who pays, when, how much, for what, and why?"

So far the administrations have failed to answer these questions. I have accused them of evasion, subterfuge, and ignorance of welfare-state economics. Their appeal moreover seems more clearly addressed to personal cupidity than to personal generosity. The coming generations may well protest the generosity demanded of them by planning that shortcuts present cost recognition to load down posterity.

To our shame be it said that these social security programs are a resounding "declaration of dependence."

On frequent occasions Congress has voted a very costly program, such as in the field of veterans' legislation or housing. There is an end to such programs. They do expire. There is no end to our social security program. It runs into perpetuity. We bind oncoming generations to pay untold billions of dollars not only 50 years from now, or 100 years from now, but so long as the Government of the United States stands. It is totally immoral.

Let us permit our children and our grandchildren to decide how much per year they of their generation will pay for social security. We should not bind them by contract to pay untold billions each year, as the present system does. The right of self-government means not only freedom from kings, tyrants, and dictators, but it means freedom from the past.

IV. THE OLD-AGE AND SURVIVORS INSURANCE PROGRAM IS ABSOLUTELY LACKING IN SOUND FINANCIAL STRUCTURE

For the old-age and survivors insurance program to be truly effective, it must not only be effective now but also give the assurance of being effective in the future. Such assurance cannot possibly be given, it seems to me, when, as in the case of either the present law or the measure before us, the following conditions are present:

First. Annual benefit disbursements of future years will be vastly greater than those of the immediate future, in fact, possibly 10 or more times as great, due primarily to the fact that the number of beneficiaries will greatly increase.

The committee's actuary advises me that the best estimated cost of our old-age and survivors and disability insurance program for future years is as follows:

In 10 years the annual cost will be $3,800 million; in 20 years the annual cost will be $6,200 million; in 30 years the annual cost will be $8,400 million; in 40
years the annual cost will be $10,600 million; in 50 years the annual cost will be $11,700 million.

The above is based upon the limited coverage that we will have after the pending bill becomes law. Should the coverage be made universal, our actuary advises me that the best estimated cost would be as follows:

In 10 years the annual cost will be $4,200 million; in 20 years the annual cost will be $6,800 million; in 30 years the annual cost will be $9,500 million; in 40 years the annual cost will be $11,900 million; in 50 years the annual cost will be $13 billion.

The foregoing tables make no allowance for possible liberalization of benefits which may be made in the future.

The Chairman. The committee is recessed until tomorrow morning.

(By direction of the chairman, the following is made a part of the record)

PHILIPPINE MEDICAL ASSOCIATION IN AMERICA,

HON. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR SENATOR BYRD: There is pending before your committee, H.R. 6027, which proposes to amend the Social Security Act by increasing the rates, etc.

Our association represents 2,319 medical doctors who are temporarily in the United States under the exchange visitors program. These doctors are distributed in various American hospitals with approved training programs. They receive an average stipend of $150 a month. Under the Social Security Act, these stipends are subject to social security tax.

We respectfully submit that these stipends be exempt from the social security tax since we are merely temporary in the United States and are therefore not within the intent and purpose of the Social Security Act.

The deductions might appear insignificant to the ordinary American wage earner, but to these doctors, with their meager allowances, this amount is significant. A foreign doctor, or other trainee, with a $150 a month stipend, acutely feels the loss of every dollar that is deducted from this stipend, since he or she could use such amounts for the purchase of badly needed books and instruments which are not furnished by the hospitals.

Your attention is called to the fact that the Social Security Act now exempts foreign agricultural laborers who are likewise temporarily in the United States (42 U.S.C. 410(1); 1954 Internal Revenue Code sec. 3121(b)(1)). We sincerely believe that we are likewise entitled to such an exemption for similar reasons.

We enclose herewith for your consideration a draft of an amendment to the Social Security Act and the Internal Revenue Code designed to accomplish the above-desired exemption.

Your immediate attention and action on this matter will be most appreciated by all the members of our association and others who will be incidentally benefited.

Very truly yours,

PATRICIO TAN, M.D., President.

DRAFT

Section 3121(b) of the 1954 Internal Revenue Code and section 210; title II, of the Social Security Act (42 U.S.C. 410), are hereby amended by adding a new paragraph, following paragraph (18):

"(19) Services performed by persons lawfully admitted to the United States under the Exchange Visitors Program provided for by the United States In-
HON. GEORGE D. AIKEN,
U.S. Senate, Washington, D.C.

DEAR SENATOR AIKEN: The 1956 and 1958 amendments to the social security law liberalized to a great extent the requirements for wives and widows to qualify for social security benefits.

A wife may receive a benefit even though not living with her husband providing there has been no legal separation or divorce. A widow may receive a benefit on her deceased husband under the same ruling. Benefits are even paid to wives and widows who, because of an impediment to their marriage are not recognized as such in the eyes of the State or church. Requirements for children, parents and disabled persons were also amended and many people qualified by benefits who were not entitled prior to the amendments.

However, there is one type of individual who appears to have been forgotten. That is a widow, married for the first time, but whose husband died shortly after the marriage.

This is my situation. I am 51 years of age. I was married for the first time and 6 days later my husband suffered a heart attack and died. I have no social security coverage of my own and no prospects of acquiring any. The only benefits payable to me under the present law is the lump-sum death payment. The law does not provide for monthly benefits at age 62 because I was not married for a year. I believe that as the legal widow of my husband, recognized as such by the State of Vermont, the church, and society, that I should be entitled to monthly social security benefits at age 62, regardless of the fact that the marriage was of short duration.

No doubt amendments to the social security law will be passed in 1961 or at least by 1962. Is there someone on the social security committee to whom I should write in order to make it possible for the next amendments to include benefits being paid to legal widows at age 62 regardless of the fact that such a person was married to a person for only a very short time.

Will you kindly let me know your views on this matter?

Sincerely yours,

MRS. DOMINIO F. FLORY.

AMERICAN NURSES' ASSOCIATION, INC.,

HON. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR SENATOR BYRD: The American Nurses' Association will not present testimony to your committee on the social security amendments included in H.R. 6027.

We wish to indicate at this time that the association does approve these amendments.

Sincerely yours,

JUDITH G. WHITAKER,
Mrs. Judith G. Whitaker, R.N.
Executive Secretary.

(Whereupon, at 11:55 a.m., the committee was recessed, to reconvene at 10 a.m., on Friday, May 26, 1961.)
SECRETARY RIBICOFF. Thank you, Mr. Chairman and members of the committee.

I have with me here today on my left Mr. Robert Ball, Deputy Director of the Bureau of OASI; Mr. Cohen, Assistant Secretary; Mr. Myers, Chief Actuary in the Social Security Administration.

I am glad to have the opportunity to testify before this committee on H.R. 6027, a bill to improve benefits under the old-age, survivors, and disability insurance program by increasing the minimum benefits and aged widows' benefits and by making additional persons eligible for benefits under the program, and for other purposes.

The President on February 2 recommended five changes in the social security law which would result in significant improvements in the old-age, survivors, and disability insurance program. The President's recommendations were as follows:

1. Increase the minimum benefit from $33 to $43.

2. Make actuarially reduced benefits available to men at age 62, as they now are for women.
(3) Make the insured status requirements for older people comparable to those that will apply to people who were young when the program started, that is, one quarter of coverage for each elapsed year.

(4) Increase the aged widow's benefit so that it equals 85 percent, instead of 75 percent, of her husband's benefit.

(5) Provide disability insurance benefits for workers who have been totally disabled for at least 6 full calendar months and eliminate from present law the requirement that the disability must also be expected to be of long continued and indefinite duration or to result in death.

H.R. 6027 passed by the House of Representatives and now before your committee substantially embodies the President's proposals, except for the proposal to pay disability insurance benefits after the worker has been totally disabled for 6 months. The President's other proposals are included in the bill, although the increases in the amount of the minimum monthly benefit and in the benefit for aged widows are not as large as the President proposed.

All the changes proposed by the President are desirable. Nevertheless, since in its overall effect the bill passed by the House will largely meet the problems that prompted the President to make his recommendations for changes in the insurance program and in view of the need for early action to meet those problems, we recommend adoption of the bill as passed by the House of Representatives.

Under the four provisions in the House-passed bill, about $780 million would be paid to some 4,420,000 people in the first 12 months of operation. Under the bill the benefits will become payable for the 1st month which begins on or after the 30th day after the date of enactment of the bill.

**INCREASE IN THE MINIMUM BENEFIT**

Under the bill the minimum monthly insurance benefit payable to a worker retiring at or after age 65, to a disabled worker, and to the sole survivor of an insured worker would be raised from $33 to $40, with corresponding increases in benefits paid to dependent and survivor beneficiaries at the lower benefit levels. This change will provide additional income under the social security program to an estimated 2,175,000 people during the first 12 months of operation. The total additional benefits that will be paid out during this period will be $170 million.

An increase in the minimum benefit to $40 will be a real help in meeting the serious problems that are faced by people who are getting benefits at the minimum. These people not only have low old-age and survivors insurance benefits but are less likely than other beneficiaries to have other retirement income.

In a survey of beneficiaries made in 1957 it was found that, for married couples where the insured worker's benefit was less than $50, about one-half of them had no permanent retirement income other than old-age, survivors, and disability insurance benefits. Generally these are people who were already old or ill when the work they did was brought into the social security program, and for this reason they were not able to build up substantial benefit rights. An increase in the minimum to $40 will make the protection of the social insurance
program more effective at the present time but will increase costs very little over the long run. People qualifying for benefits in the future will generally get benefits above the minimum because they will have had more chance to work in covered employment at higher earnings levels.

The level-premium cost of an increase to $40 is estimated at 0.06 percent of payroll on the intermediate-cost basis.

**BENEFITS FOR MEN AT 62**

Another provision of the bill would make old-age and survivors insurance benefits available at age 62, with the insurance benefits payable to men who claim them before age 65 reduced to take account of the longer period over which these men will get benefits. Reduced benefits for women at 62 are provided under present law. A similar provision for men was adopted by the Senate last year but was deleted in conference.

An estimated 560,000 people would get $440 million in benefits as a result of this change during the first 12 months.

Paying insurance benefits to men at age 62 was advanced as a way to make the social security program more flexible and effective. Men close to the present eligibility age of 65 who lose their jobs find it very difficult to get new ones. They may have skills that are obsolete and may have little opportunity to learn new ones, or employers may be reluctant to hire them because older people cannot be expected to work as long as most other jobseekers and the employer has fewer years over which to spread the cost of hiring and training them. While the situation of the older worker is particularly serious at the present time, and especially so in areas of chronic unemployment, the problem the older worker finds in getting another job exists in all parts of the country and will continue to be something of a problem even in periods of high employment.

Private pension plans quite commonly have the flexibility afforded by provisions for optional retirement before age 65. A study of the pension programs of 230 companies, made by the Bankers Trust Co. of New York in 1960, showed that, among the collectively bargained plans, 96 percent permitted early retirement and, among the non-collectively bargained plans, 88 percent permitted early retirement. In another 1960 study (by the Bureau of Labor Statistics) it was found that early retirement provisions were included in 224 of the 300 plans studied and covered about 3 million of the 4.6 million workers who were members of these plans. Moreover, it appears that the number of plans providing for optional early retirement is increasing; in a comparable 1952 study by the Bureau of Labor Statistics only 166 of the 300 plans which were included had early retirement provisions.

The provisions of the bill for paying reduced benefits to men at 62 would not increase the level-premium cost of the social insurance program, whereas the President’s proposal would have increased costs by one-tenth of 1 percent of covered payroll. The difference in cost results from the fact that under the President’s proposal men would have their benefits figured the same way that benefits are figured for women under present law— that is, on the basis of earnings averaged over the years up to age 62. Under the House-passed bill, men would
SOCIAL SECURITY BENEFITS

have their average earnings, on which benefits are based, figured over the years up to 65—3 years more than the number used for women; this is what is done under present law.

CHANGE IN THE INSURED-STATUS REQUIREMENT

The bill also includes a provision, exactly like that recommended by the President, that changes the requirements that a person must meet in order to be insured under the program—that is, the amount of covered work he must have had in order to qualify for insurance benefits. Under this provision a worker would be fully insured if he had one quarter of coverage for every year elapsing after 1950 and up to the year he reached 65 (or age 62 for women), died, or became disabled, instead of one quarter of coverage for every three calendar quarters elapsing, as required under present law.

The provision would make the insured-status requirements for people who are now at or near retirement age comparable to those that will apply in the longrun program for people who will attain retirement age at that time. People who were young when the program started and young people who began working after that time will need about 1 year of work for every 4 years elapsing after age 21 (10 years out of a possible 40 or more years in a working lifetime) in order to be insured at retirement age. Under the one-for-three requirement, people who are retiring now must meet a stricter test than younger people will have to meet even though it is more difficult for older people to maintain steady employment. A farmer who was first covered in 1955, for example, and who stopped working when he reached age 65 in January 1961 must have had 2½ years of coverage although there were only 6 years prior to 65 in which he could have been covered—a requirement that seems unduly strict when compared to the longrun requirement of 10 years of coverage out of a possible 40 years or more.

The change that the bill would make in the requirements for fully insured status would help many people who are uninsured because the work they did during their best working years was not covered. By the time their regular occupations were covered, they were already so old that they could not work regularly enough to meet the insured-status requirements in the law. About 160,000 people who are not now insured would become eligible for benefits in the first 12 months as a result of this change. Taking into account the proposal to raise the minimum benefit to $40 and to pay reduced benefits to men at age 62, the total amount that would be payable to these people in the first 12 months would be $65 million.

The level-premium cost of the proposal would be 0.02 percent of payroll.

INCREASE IN WIDOW’S BENEFITS

Under present law an aged widow gets 75 percent of her husband’s retirement benefit. The bill would increase the aged widow’s benefit to 82½ percent of her husband’s retirement benefit—an increase of 7½ percentage points, or 10 percent above the present 75 percent basis. Widowers and sole surviving dependent parents would get a similar increase.

The increase for widows is one of the most urgently needed changes in the social security program. The need is obvious on the basis
of simple logic: The social security retirement benefit is intended to help meet the needs of the retired person alone; extra benefits are provided where the retired worker had dependents. When the retired worker dies, there is no reason to expect that his aged widow can get by on a monthly benefit amounting to only 75 percent of the benefit her husband received. In fact, aged widows as a group are in a relatively poor position when it comes to making ends meet. They have little income other than their social security benefits. Almost none of them, for example, are getting private pensions. One-half of the women getting aged widow's benefits who were interviewed in a survey in 1957 had annual income of less than $270 in addition to their old-age and survivors insurance benefits, as compared with $470 for nonmarried retired workers. The proposed change would provide needed additional funds for these older women. It is estimated that some 1,525,000 people would have their benefits increased during the first 12 months of operation under this change and that the additional benefits that would be paid out during this time would amount to about $105 million.

The level-premium cost of this change (after account is taken of the increase in the minimum benefit included in the bill) is estimated at 0.17 percent of payroll.

**ESTABLISHING A PERIOD OF DISABILITY**

While, as I mentioned, the bill does not include the very desirable provision the President recommended for paying disability insurance benefits after the worker has been totally disabled for 6 full months, it does contain a provision related to disability, and one that is much needed. The bill would extend, for 1 more year, to June 30, 1962, the period within which a person may file an application for establishing a period of disability and have the period begin as early as the time when his disability began or the time when he first met the work requirements for disability benefits. The need for this provision is brought out by the fact that nearly one-third of the disability claims now being filed are based on disabilities that began more than 18 months earlier. Many of these late files are disabled workers under age 50 who were made eligible for disability benefits by the 1960 amendments. Some of these people need more time to learn about the availability of benefits. Our experience with older disabled workers indicates that it will take some time to acquaint all the disabled workers under 50 with the changes made by the 1960 amendments.

**FINANCING THE BILL**

The Chief Actuary of the Social Security Administration estimated that the improvements included in the House bill would increase the level-premium cost of the social insurance program by one-fourth of 1 percent of payroll on the intermediate-cost basis. In order to keep the program financially sound and self-supporting, the bill provides for additional income to the trust funds, which is also estimated to be one-fourth of 1 percent of payroll. The additional income will be provided by raising the social security rates by one-eighth of 1 percent each for employees and employers and by three-sixteenths of 1 percent for the self-employed, beginning January 1, 1962. Since the added
cost to the program is the same as the added income that the tax-rate increase will yield, the bill will not change the actuarial balance of the insurance program and will keep the system on a sound financial basis.

The staff and I will be glad to respond to any questions anybody may have.

The Chairman. Thank you, Mr. Secretary, for your very clear statement.

Any questions, Senator Douglas?

Senator Douglas. Mr. Chairman, I have some questions.

First I want to say that I want to thank the Secretary for a very clear and able statement, and say that I expect to support the House bill.

I did have some questions which are of an actuarial nature, and in view of the fact that you apparently are suffering from laryngitis, if you would prefer to have the questions answered by one of your staff, I would be very glad to have you do so.

The first question that I would like to ask is, what is the estimated total reserve of the fund by the year 2000?

Mr. Myers. Senator Douglas, under the House bill, the estimated balance in the OASI trust fund——

Senator Douglas. Yes.

Mr. Myers. According to the intermediate estimate in the year 2000, as set forth in the House report, and as we estimate it, is $136 billion.

Senator Douglas. Will that be the maximum?

Mr. Myers. No. The balance in the fund would continue to rise thereafter to a figure somewhat over $250 billion.

Senator Douglas. At what time will the reserve be $250 billion?

Mr. Myers. About 25 years after the year 2000.

Senator Douglas. 2025?

Mr. Myers. Yes.

Senator Douglas. About 65 years from now?

Mr. Myers. Yes.

Senator Douglas. And thereafter it is to remain on this level?

Mr. Myers. In the actual estimates, it would decrease somewhat from that point. But, as you well know, the estimates are not by any means completely precise.

The theory would be that if the system were exactly self-supporting, it would level off at some sort of a figure like this in all years thereafter.

Senator Douglas. Now, I understand that for the next few years you expect the reserves to decrease slightly, is that true?

Mr. Myers. Yes. Under the present law we anticipate that in the current calendar year the fund will stay, to all intents and purposes, practically constant as between the beginning and the end of the year, although it will fluctuate up and down by months.

Senator Douglas. I see.

Mr. Myers. Under present law, in 1962, we expect the fund to go down about $400 million, but then beginning in 1963 it would increase somewhat more than $1 billion each year.

Senator Douglas. So the charges which are made that the fund is insolvent really are not applicable?
Mr. Myers. In my opinion, this is by no means the case, because the situation must be examined over a period of years, and not just the situation from month to month or year to year.

Senator Douglas. I think it is important to bring this out, at least for the long-run consideration, because I am dubious as to whether it is sound public policy to accumulate a reserve of $250 billion.

I remember when the original estimated reserve of $46 billion was subjected to very heavy attack, and we revised the act in 1938-39 with a view to decreasing the ultimate reserve. Now we find that it is going to be five times as much as the original contemplated reserve. While I do not know that this calls for any immediate action—in deed, I do not think it does—I think it is very important that the Congress and the public should realize this.

Now, another question.

Mr. Myers. Senator Douglas, could I finish answering so as to give you the figures for the bill?

I have only given you the figures for the present law.

Senator Douglas. Yes.

Mr. Myers. Under the bill, depending upon the effective date of this legislation, in 1961 the fund, instead of remaining level, might decrease by, say, $300 million.

In 1962, it will decrease by some $800 million, but then beginning in 1963, and thereafter, the fund would increase by about $1 billion a year.

Senator Douglas. The reserve is now about $50 billion?

Mr. Myers. No. The fund at the end of 1960 was $20.3 billion, and there was about $2.3 billion in the disability fund.

Senator Douglas. Now, what has been the history of the average wage and salary upon which contributions are paid? This has increased with the years. I wonder if you could give some approximate figures?

Mr. Myers. Yes.

Senator Douglas. I only had the report yesterday, and I did not have time to read it. I wondered if you would be willing to make it a part of the record?

Mr. Myers. In the early years of the system, that is in the late 1930's, the average earnings of all persons who had any earnings under the system in the course of a year, was about $900.

Senator Douglas. Yes.

Mr. Myers. That is the average taxable earnings.

Senator Douglas. Yes.

Senator Bennett. At that time, what was the maximum?

Mr. Myers. The maximum then was $3,000 per year.

Senator Bennett. $900 as related to $3,000.

Mr. Myers. Yes.

At the present time when the maximum, as you know, is $4,800, the average earnings are about $2,800 a year.

Senator Douglas. Now, since the benefits are less for the upper income groups, it follows, doesn't it, that each increase in average earnings increases the size of the reserve; is that true?

Mr. Myers. Yes, that is correct; in balance more money comes in proportionately than the resulting benefit liability.
Senator Douglas. Isn't this one reason why the size of the reserve is greater than would have been originally estimated on the scale of benefits which are now being paid?

Mr. Myers. Yes, Senator Douglas. I think this is one of the reasons.

Of course, as you recognize, other reasons are that more people are covered—that is, more employment categories—and also the general earnings level has risen. Accordingly, the relative size of the fund is affected.

Senator Douglas. Upon what average are your actuarial estimates based for the future?

Mr. Myers. We have based our current estimates, more or less, on the earnings level in 1960.

Senator Douglas. $2,100?

Mr. Myers. Well, $2,800.

Senator Douglas. $2,800.

Mr. Myers. Yes.

Senator Douglas. If there is an upward movement of earnings in the future, as has been true in the past, this will, in itself, increase the size of the reserve above what you now estimate; isn't that true?

Mr. Myers. Yes, that is correct.

Senator Douglas. Therefore, you have, so far as this item is concerned, a built-in safety factor; isn't that true?

Mr. Myers. Yes, that is correct. In the past, when we used later earnings assumptions than in the previous estimates, we have then shown the so-called level-premium cost of the program as being lower than previously estimated. As a result, in the past, Congress has taken this into consideration in the various legislative liberalizations that have been made.

Senator Douglas. Can you tell me how the 1935 estimate of the reserve, of what the reserve would be in 1960, compared with the reserve today?

Mr. Myers. Yes. I have made a study of that, and as it happens, by great coincidence, it is reasonably close to what we now have on hand, namely, $30.1 billion estimated in 1935 versus $22.6 billion now on hand in both the OASI and DI trust funds. There of course have been counterbalancing factors, and it is entirely fortuitous.

Senator Douglas. I understand.

In other words, the increase in benefits we have put into effect have not thrown the reserve out of balance, as compared to the original estimates; is that true?

Mr. Myers. Well, you could say that, although as I say, there are a number of fortuitous circumstances.

Senator Douglas. Can't you say it truthfully?

Mr. Myers. Well, I would not want to say this proves the original estimates were perfect.

Senator Douglas. No. All I am saying is that despite the increase in benefits, the reserves are no less than those that were originally estimated; but there have been counterbalancing built-in factors which have increased revenues above what would have been originally contemplated; isn't that true?

Mr. Myers. Yes, that is correct.
Senator Douglas. Can we suppose that this process of increased earnings is going to stop in the future? Don't we believe that we have an expanding economy?

Mr. Myers. Yes. In the description of the cost estimates we recognize this factor and say that when earnings actually increase, they will be taken into account, and the cost estimates will show that the program has a lower cost, which means there is money available for bringing the system up to date.

Senator Douglas. I want to suggest that I think you people are too conservative. You are trying to meet every increase in benefits by an increase in contributions, and you tend to ignore this built-in factor which increases reserves.

So far from being labeled as wild spenders, as some critics do label you, I would say that you are actuarially too conservative.

Now, it is highly desirable to have conservative actuaries because they correct undue tendencies on the part of others, and I have always thought, Mr. Myers, that you are one of the great unsung public heroes, really.

But, nevertheless, you may wake up and find yourself with a reserve of $500 billion in the year 2000.

Secretary Ribicoff. I would say this, Senator Douglas, that neither Mr. Myers nor I will have to wake up to what we will find in the year 2025.


Secretary Ribicoff. I believe in a conservative approach to these problems.

Senator Douglas. Yes; I understand.

Secretary Ribicoff. In dealing with these problems in social security, I would rather err on the side of conservatism.

Senator Douglas. I understand, but you are being charged, you know, with being excessively radical.

Secretary Ribicoff. I do not think we are.

Senator Douglas. I submit the evidence indicates that you are not.

Secretary Ribicoff. But yet I would not come here asking for benefits without anticipating what might happen 10 or 15 years from now; I would not want to advocate that.

Senator Douglas. I do not know that people 10 or 15 years from now ever will read the record of the hearings at this time, but I do hope the Senators who are around 10 or 15 years from now—and I am sure Senator Williams is indestructible, for example—will realize that the present system of financing is very conservative.

Secretary Ribicoff. To me this has been a very interesting experience working with a man like Mr. Myers, because we were developing a program, trying to do it conservatively, trying to find out what to propose, and how much it would take to pay for this program. I am sure that Mr. Myers must go through some tortuous nights without sleep, because he comes in to see me the next morning or a week later saying that his figures were out a very small fraction, and when this takes place we do not hesitate to change the estimates to make sure that we are not ever misrepresenting to Congress or the people of the United States, and if there is an error it is certainly no error that anyone could anticipate. We tried to lean over backwards on the side of conservatism.
Senator Douglas. That is absolutely right.

Now, it has been charged, and I think it is true, that the system of benefits pays out appreciably more to those who are covered by the system for a short period of time than is collected from them and their employers' contributions; isn't that true?

Mr. Myers. Yes, Senator Douglas, that is true. And that, of course, is the only way that a social insurance program could be effective. It must pay reasonably adequate benefits at the start, and the same thing is done under private pension plans.

Senator Douglas. Yes. If at the beginning of the plan you had only paid to each age group the actuarial amounts which they had contributed, how much would the people who were only included for 1 year have received?

Mr. Myers. 10 or 15 cents a month probably, from both the employee and employer contribution combined.

Senator Douglas. How many years would have had to pass before they could have received benefits equal to those now given?

Mr. Myers. As you recognize, the people now getting benefits, from an "actuarial purchase" standpoint, have not purchased their benefits in full. It would take 30 years from now until this would generally be the case.

Senator Douglas. I understand. I am speaking of the original group.

Mr. Myers. Before a substantial number of the people would have——

Senator Douglas. When a private company puts in a private pension plan, contributory plan, they have this identical problem; do they not, of the people who in the past have not contributed and who, unless special provisions are made, would not be entitled to benefits; isn't that correct?

Mr. Myers. This is absolutely correct.

Senator Douglas. This is called accrued liabilities.

Mr. Myers. Yes; the accrued liabilities for prior service credits.

Senator Douglas. Yes. And the Federal plan merely adopted this same principle; isn't that true?

Mr. Myers. Yes. In a very real sense the Federal system did this by, in effect, giving people credit for all of their prior service.

Senator Douglas. But the Federal plan did have a weakness, did it not, in that it permitted people who were originally in the excluded groups—the self-employed, farmers, professional people—to come into the social security system for short periods of time, and then go out again, and so raid the system by receiving benefits greatly in excess of their contributions; isn't that true?

Mr. Myers. Well, I would not say that this was exactly a raid. I would say this was the same procedure that would have happened if a private employer with several plants had put his pension plan into effect in these plants at different times, and yet had given credit for all prior service before he put the plan in.

Senator Douglas. I understand. But isn't it true a good many people did come in for short periods of time to acquire eligibility?

Mr. Myers. Yes; it was quite possible to do this with a year and a half or 2 years of coverage.
Senator Douglas. Wasn’t this one of the factors which caused Congress, successively, to expand coverage and include the self-employed?

Mr. Myers. Yes. This was one of the factors.

Senator Douglas. Congress did this because it thought persons who went in for benefits should also be in for contributions.

Mr. Cohen. May I speak to that, Senator Douglas?

Senator Douglas. Yes.

Mr. Cohen. I think the problem arose from the failure to include those people initially. In other words, these new groups were not raiding the system. They had the disadvantage of not coming in earlier, so that they contributed for a shorter period of time.

Senator Douglas. I think there were some who were raiding the system. There were smart operators who would get themselves attached to someone else as a salaried worker or wage worker for a brief period of time in sort of a fictitious relationship, acquire eligibility, and then drift on.

I think undoubtedly there were some abuses; but, as you say, the system was not all inclusive at the start, and this has now been almost completely remedied; isn’t that true?

Mr. Cohen. Not quite, but much more so than ever before.

Senator Douglas. What are the groups now excluded? Doctors—are dentists included?

Mr. Cohen. Yes.

Senator Douglas. So doctors are virtually the only group.

Mr. Cohen. Well, Federal employees are not included.

Senator Douglas. They are in their own system.

Mr. Cohen. But they are a group that can go in and out that illustrates the very point you are mentioning.

Senator Douglas. You mean they can get double benefits?

Mr. Cohen. Yes. Until the system does include all employment under it, so that it is the basic system, you are going to have this possibility of coming in and going out that you mentioned.

Senator Douglas. May I just ask a few more questions, Mr. Chairman?

The Chairman. Proceed.

Senator Douglas. I will try not to take up so much time.

Now, concerning this reduction to age 62, of which I approve, upon what average age of retirement are your actuarial estimates of costs based?

Mr. Myers. The actuarial estimates in regard to men are based on an average age of retirement of approximately 68; that is under the existing system.

Many of the men who will retire between 62 and 65, if the bill is enacted, under the present law really retire from a benefit standpoint when they reach 65.

Senator Douglas. Wasn’t that act originally based on the assumption of retirement at the age of 65? Weren’t the original estimates—

Mr. Myers. No. The original law had the minimum age of 65, but in our actuarial cost estimates we always took into account the fact that people would defer retirement, and that, therefore, the cost of
the system would be lower than if everybody automatically received benefits at 65.

Senator Douglas. That, of course, raises an obstacle in the way of a suggestion which I am about to make. I have always believed in a flexible retirement age rather than a fixed retirement age, and I welcome flexibility downward—lowering the age of voluntary retirement for women to 62, and now, I hope, for men to 62—but I also have thought it should be flexible upwards, so that people from 65 to 68 could retire with actuarially increased benefits. In view of our modern diet and modern exercise, I cannot believe that everyone should retire at 65; in many cases people should be given an inducement to postpone retirement. One way to postpone retirement is by providing that if they could retire at, say, 68 they will get an actuarially higher monthly benefit than they would get under the present system.

Secretary Rimicoff. I think your idea is a good one. But I also think it will cost money.

Senator Douglas. Have we made estimates as to how much?

Secretary Rimicoff. Yes. Will you explain the estimates, Mr. Myers.

Mr. Myers. Senator Douglas, if people who retired beyond the minimum retirement age got actuarially increased benefits, in essence this would mean the same as paying everybody at 65. In turn, this would be the same as eliminating the present retirement test and that, in turn, means a cost of close to 1 percent of payroll.

You see, we have a very substantial savings in the present system because of the fact we pay people only when they retire at the average age 68, and this would, in a sense, move the age down to 65 from 68, would have a sizable cost.

Mr. Cohen. You could, Senator, give some partial recognition to delayed retirement, even if not the whole actuarial equivalent of the benefits that were not paid that would have a psychological effect and accomplish some of your objective.

For instance, Mr. Myers' estimates indicate if you only gave a credit of 1 percent for each year after age 65, that would cost 0.14 percent of payroll.

Senator Douglas. One-seventh of 1 percent.

Mr. Cohen. Yes; one-seventh of 1 percent. That would be only, as Mr. Myers says, a small recognition of what the true actuarial cost would be for paying actuarially equivalent increased benefits for deferred retirement.

Senator Douglas. That would be an increase of 1 percent each year and, therefore, an increase to 2 percent each year would be 0.28 percent.

Mr. Cohen. Yes; and a 4-percent increment would be 0.56 percent and, as Mr. Myers said, if you ultimately got up to a 7.2-percent increment, which he uses as the actuarial equivalent, that would cost about 1 percent of payroll.

Senator Douglas. Well, I think that this should be a matter for future concern because if we ever are able to reduce unemployment and get substantially full employment, then we will certainly need the services of able people over the age of 65 who should be encouraged to stay at work rather than retire.

Thank you, Mr. Chairman. I am sorry to have taken so much time.
The Chairman. Mr. Secretary, I have been very much interested in the questions asked by Senator Douglas. It happens that the Chair is the only member of this committee who was present at the time that the Social Security Act was adopted, and I have always supported, and will continue to support, a conservative course with respect to increasing the base tax when we add additional benefits.

Of course, I think we must recognize the fact that there is a limit to how high this tax can be raised.

At the present time, the employer-employee tax is 6 percent for employer and employee. We are now adding one-fourth of 1 percent, to the existing rates which are automatically increased every 3 years.

Mr. Myers. Yes, Mr. Chairman; under present law, the 6 percent for the employer and employee combined will rise by 1 percent increases in 1963, 1966, and 1969, to a rate of 9 percent.

Under this bill, an additional one-quarter of 1 percent, that is one-eighth of 1 percent each, would be added to the schedule so that the eventual rate in 1969 and after, according to law, would be 9 1/4 percent for the employer and employee combined.

The Chairman. That 9 1/4 percent is predicated upon existing benefits, is it not?

Mr. Myers. Yes, Mr. Chairman.

The Chairman. If you increase the tax each time that you increase the benefits in the future, then you will have a tax in excess of 9 1/4 percent.

The point I wish to emphasize is that the 9 1/4 percent is based upon the present benefits.

Mr. Myers. The 9 1/4 percent is based on the present benefits, plus those in the bill.

The Chairman. I understand.

Mr. Myers. Yes.

The Chairman. If we pass this bill.

Mr. Myers. That is right.

The Chairman. But any additional benefits, if we follow the course that we are adopting from the beginning, will require additional tax above the 9 1/4 percent.

Mr. Myers. That is correct, except for the possibility that if wages rise very considerably there might be some reduction in the cost of the system due to that factor.

The Chairman. Yes. But to carry out the policies we have adopted in the past, additional taxes would be required, would they not?

Mr. Myers. That is correct.

The Chairman. Have you made any investigation as to how large a tax business can stand or the employer can stand? Nine percent is a very steep tax when it comes on a payroll, without deductions. I think some thought in the future should be given as to how much we can increase that tax, providing that the benefits are increased. I might add that history shows that every 2 years, every election year—and this seems to be an extra year because this is not an election year—we have added benefits under the OASI program.

Some study, I think, should be made as to how far we go with this tax. I would like for the Secretary to express himself on that.
Secretary Rmichoff. Yes, I would say this: This has always been a concern of mine. There will be another official advisory council appointed in 1963, to look into this whole matter.

My own reaction is that I do not see how you could go much beyond 10 percent unless you take into account with the rising wage levels that you might want to raise the tax base from the present $4,800.

I would certainly be reluctant personally to come in and make recommendations that will take us much above 10 percent eventually. I would not hesitate to come in and ask for what I consider a proper and legitimate program, taking into account rising wage levels. The present base of $4,800 might be an unrealistic base at that time.

There was considerable discussion in the House with the Ways and Means Committee of the prospect of paying for these benefits through a $5,400 base, and we felt that we could do this without any increase in taxes.

In other words, this was given very serious consideration, and then it was decided within the Ways and Means Committee to stay with $4,800. You could have gone to $5,400 without increasing the tax at all at the present time for these benefits.

The Chairman. How much revenue would that bring in?

Secretary Rmichoff. When the matter was first broached in discussion I was enthusiastic about it, I will be frank with the chairman, to raise the tax base to $5,400 without increasing the tax rate.

The Chairman. You mean from $4,800?

Secretary Rmichoff. Raising $4,800 to $5,400.

The Chairman. What would be the increased revenue?

Mr. Myers. The increased revenue for raising the earnings base to $5,400, expressed as a percentage of payroll, would be almost one-fourth of 1 percent; in other words, as the Secretary has said, it would have about the same net effect as the tax increase in the House bill.

Now, in terms of dollars, this would have brought in about $1.1 billion a year on an accrual basis.

The Chairman. As I understand the Secretary, he believes that the direct tax should not be in excess of 10 percent; it is now 9 1/4.

Secretary Rmichoff. That is right.

The Chairman. And the only other change that might be made is to increase it from $4,800 to $5,400?

Secretary Rmichoff. That is right.

The Chairman. Therefore, that sets a pattern as to how far we can go in the future in increasing the benefits.

Secretary Rmichoff. Well, this is my personal feeling.

The Chairman. You will be here certainly 8 more years, and maybe you will be here for 7 more years. I want to get you down in black and white as to what you think.

Secretary Rmichoff. You can, sir.

The Chairman. As long as you are here I think it is a very important question that is presented to us. We cannot indefinitely continue to increase this tax. The burden is too great.

Secretary Rmichoff. You asked me the question and I gave you my reply, sir, and I doo feel this way. I have told the people in the Department my personal reaction, too. I do think there is a limit beyond which you cannot go. I am concerned about the cost, and I am concerned personally by the competitive position of the United States in the world market.
I have never taken the position that in any programs advocated I should only look at my programs. I think I have got the obligation to look at the impact of these programs on other conditions and other problems facing our Nation.

The Chairman. Do you have any plan in mind now that would give additional benefits, thereby necessitating increased taxes?

Secretary Ruskoff. Yes. The one thing I have in mind is medical care for the aged under social security.

The Chairman. How much would that increase the tax?

Secretary Ruskoff. Well, our program is one-half of 1 percent of payroll.

The Chairman. Then you would reach practically your 10 percent; it would be 9 3/4, so you would only have a balance of one-quarter of 1 percent for the balance of your remaining part of your term of office, which may be 7 years.

Secretary Ruskoff. In other words, it looks like you and I are going to be out of business. [Laughter.]

The Chairman. I want to get that down.

There is another thing I want to inquire about, and that is about the interest.

Now, years ago, as Mr. Myers knows, this fund was invested in Government bonds, which paid larger interest than the rate currently paid by the public, is that correct?

Mr. Myers. In the late 1930's, the fund was getting 3 percent interest, and the general interest rate was, say, around 2 1/2 percent, so the fund was getting more at that time.

The Chairman. That added to the fund by how much during that time when you received larger interest payments than the general public?

Mr. Myers. Since the fund at that time was relatively small, it would not have been very much relatively, probably about $25 million.

The situation was remedied, as you know, in the 1939 amendments when the interest basis was changed, so as not to be a constant 3 percent, but rather the average interest rate on all Government debt.

The Chairman. At the present time the Federal Government pays a rate equal to the average of all the bonds that it has out, is that correct?

Mr. Myers. The present basis, Mr. Chairman, according to the 1960 amendments, is that on our new investments in special issues we get the average market rate on all long-term Government bonds outstanding at the time of the purchase of these new issues.

Of course, if we go in the open market, we obviously get close to the market rate also. Thus, currently our new investments are running around 3 3/4 percent, whereas our old investments that we had before the law was changed are on an average of around 2 1/2 percent.

The Chairman. That is approximately the average rate of all the outstanding bonds?

Mr. Myers. The 2 1/2 percent?

The Chairman. I mean the total of what you get, is it approximately the average rate paid by the Government for other bonds issued?

Mr. Myers. You are quite correct. For comparable long-term bonds we are getting about the average of what the Government pays generally.
The Chairman. How much do you receive yearly as interest on your bonds?

Mr. Myers. The old-age and survivors insurance trust fund gets interest of about $500 million a year, and the disability insurance trust fund gets about $50 million a year.

The Chairman. And the total income is how much?

Mr. Myers. The total interest income?

The Chairman. No, the total income.

Mr. Myers. The total income of the old-age and survivors insurance trust fund is about $11 billion a year from contributions, and about half a billion dollars a year from interest earnings.

The Chairman. Thank you very much.

Senator Bennett.

Senator Bennett. Mr. Chairman, may I just make one comment. When Senator Douglas was questioning he wanted to discuss the great similarity between private pension plans and the social security system with respect to the man who had not been in the system long enough to generate enough money to retire on, in other words, the man who retired soon after the system starts.

I think there is one fundamental difference there in the two situations. In private industry if a company installs a pension plan or a retirement plan and has an employee who retires a year later before they have had an opportunity to fund all the prior service, they have to fund him as an individual or let him retire on the meager amount that his 1 year's participation may earn.

Under social security you push that cost on to the succeeding generations; you do not stop and fund the retirement of these older people who retired when the fund was new; isn't that a correct analysis?

Mr. Myers. Yes, that is quite correct. I was pointing out the similarity in the benefit structure. There is quite a considerable difference in the financing basis of a private pension plan and a social insurance system.

Mr. Cohen. If I understand your question, Senator, the answer is that a private pension plan is not all funded at that one moment of time; the funding is pushed into the future, too.

Senator Bennett. Now, wait a minute. I am connected with a private pension plan that is not very old. Mr. Cohen. Yes.

Senator Bennett. And we have had a number of older men who have retired. The corporation has had to find money outside of the private pension plan to make up the difference in order that those people could retire on the same level that the people would retire who were retired when the system is fairly mature. This I know from experience; am I not right, Mr. Cohen?

Mr. Cohen. Mr. Myers says that for an individual person retiring they would, of course, on the basis of the usual financing, fund it for that one man at the time if it had not been done previously. But, of course, they do not fully fund all of the accrued liability of the plan.

Senator Bennett. No. The problem of most corporations is that the responsibility of funding all the accrued liability is a financial burden they cannot carry in any one year.

Mr. Cohen. That is correct.
Senator Bennett. And they have to take a period of time; but in the meantime those men who come to retire must be handled as separate individuals.

But as far as the social security system is concerned these people have been retired on the normal pattern as they came along, and the cost has been pushed off into the future, and it always reminds me of a man on a bicycle. As long as the wheels are going around you stay up. But whenever you stop you fall down, and the social security system will work as long as the wheels are going around because there will always be a vast amount of unfunded obligation that you expect to fund in the year 2000, in the year 2025, and so on.

Mr. Myers. This is quite correct, and it is one of the essential differences between a private pension plan and a social insurance system. The private pension plan must, by its very nature, assume that the employer might go out of business, and that at some point they should get the accrued liabilities funded, so that if the employer does go out of business, the people will get their benefit rights.

Senator Bennett. That is right.

Mr. Myers. The social insurance system, I believe, can safely be assumed to go on continuously because the law says that people shall be covered, and it does not intend to ever be terminated.

Senator Bennett. I just wanted to clear it up because I was a little bit afraid that the comment that had been made by my colleague from Illinois would indicate that they are approximately the same kind of situations, and the situation is completely different with respect to prior service responsibilities.

I would just like to put one other question. The Senator from Illinois began his questioning with respect to the size of the fund, of the reserve. It is now about $20 billion, between $20 and $21 billion.

Mr. Myers. For the old-age and survivors insurance portion, yes.

Senator Bennett. Yes. How long has it been, approximately, at that level?

Mr. Myers. It has been at that level for the last 7 years, going up and down a bit in between.

Senator Bennett. Yes.

Is this the highest plateau that it has reached?

Mr. Myers. No. The highest that it reached, as of the end of any year, was $22.5 billion at the end of 1956.

Senator Bennett. I am curious in your thinking about the future of the program why you let it run along for 3 or 4 years at approximately between $20 and $22 billion, and yet I think you gave us a figure of $38 billion. When was it to get the $38 billion figure—

Mr. Myers. It is estimated to get to that level under the bill in 1969.

Senator Bennett. Nine or 10 years you are going to let it go up, and when you go to the year 2000 it is going to be up above $100 billion, and in the year 2025 it is going to be upwards of a quarter of a trillion dollars.

Mr. Myers. According to these estimates, yes.

Senator Bennett. Why is it going to be allowed to rise at so steep a rate when you have been getting along for a long time and assuring us with $20 billion we were adequately covered?
Mr. Myers. I think the reason that we would say it was adequately financed in the past few years is that we look not only at those years or the next year or two ahead, but also at the long-range picture, and the resulting increases in income that occur as the scheduled tax increases in the law go into effect.

Senator Bennett. Well, I am still a little confused. You assume that $20 billion is adequate in 1960, but 65 years from now you have got to have $220 billion or you will have $121 times as much.

Mr. Cohen. I think I understand what your point is. Mr. Myers' actuarial estimates assume that to keep the system in actuarial balance a certain amount of interest earnings will be added to the contributions to finance the entire cost. Therefore, in the future the size of the reserve increases to yield additional interest earnings which, when added to the contribution income, will pay the benefits in perpetuity without having to go to any other source. That is the function of that large a reserve in the future.

Or, may I put it another way. If all other things being equal, you did not have that large a reserve, you would have to have some income from some other source to make up that difference in the interest earnings.

Senator Bennett. Then what you are saying to us is that between now and the year 2000 or 2025, the income from the taxes levied under this program must be enough to add another $220 billion to the fund in order that interest on that higher income may make the fund solvent.

Mr. Cohen. Yes, sir. The original conception behind this system, despite all of the changes from the early system, was that the system should be kept on a self-supporting basis, with no income from any outside source.

Now, if in a future year in which the contribution income is not sufficient to pay the entire cost, the difference must come from some other source. If you make the assumption that it cannot come from any other source, it can only then come from the interest earnings on the fund, unless you wish to have a general Government subsidy, which is not assumed under this set of circumstances.

Mr. Ball. May I comment on that?

Senator Bennett, I think the response to these questions has been largely in terms of the theory of the present act and the contributions scheduled in the present act. In other words this is the way the law is.

I am sure that neither Mr. Cohen nor Mr. Myers is saying that this is the only way it can be in the future. The last Advisory Council on Social Security Financing, for example, raised the question about whether, when 1969 comes, the best policy would be to go ahead and build up a fund as high as this one.

The alternative would be not to have the maximum rate go into effect as soon as 1969. Nobody would hold that the fund would have to be this large for safety.

But, as Mr. Cohen points out, if the fund were not this large, the ultimate contribution rate, say, in 2030 or very far off, would have to be somewhat higher than if you put the rate in in 1969.

But as the Councils look at this from time to time, and as we approach this ultimate rate, there is an alternative to building these huge reserves. Senator Douglas, I believe, was suggesting a look at that question during that time.
Senator BENNETT. There are two ways you get income. You get it from taxes or you get it from interest.

Mr. BALL. Yes.

Mr. COHEN. That is right.

Senator BENNETT. And apparently you have been satisfied to get it from taxes proportionately because for 4 or 5 years you have been running along at approximately the same level, $20 billion.

Now you are talking about in 60 years, and this system is now 25 years old. When did it start?

Mr. COHEN. It started in 1937 as far as the taxes were concerned.

Senator BENNETT. That is 24 years old. In 2½ times as long in the future you are going to multiply the fund by that amount, and it seems to me that Congress is going to, succeeding Congresses are going to, be faced with the question, Are we going to tax these people enough to add $200 billion more to the fund for the sake of earning interest?

Mr. COHEN. Yes. May I put the matter now in other terms that will bring Senator Byrd's question back into perspective.

If you were to levy the entire cost on payrolls without having an interest-bearing reserve then, according to Mr. Myers' intermediate estimates, in the year 2050 you would have to levy a 12-percent payroll tax instead of 9½ percent tax.

Senator BENNETT. Won't you almost have to levy that to build up your reserve? Is your reserve going to climb by $200 million in the next 65 years on the basis of the present rates?

Mr. COHEN. Yes.

Senator BENNETT. On the basis of the present rates for the past 4 or 5 years it has just stayed level.

Mr. MYERS. The present rates, however, as the chairman brought out in his questioning, increase from the present 6 percent under present law, to 9 percent and to 9½ percent under the bill. That 50 percent increase in the tax rate brings in more than enough money to pay the gradually increasing benefit outgo that we anticipate in the next few decades.

Senator BENNETT. Of course, I am not an actuary, and it is hard for me to see the movement and the countermovement of these various forces, but the present rates are bringing you in $11 billion a year, and in 60 years you are going to build up $200 billion, and still pay the present benefits?

Mr. COHEN. Maybe I could put it this way.

Senator BENNETT. Maybe it works.

Mr. COHEN. In the longrun future. In the year that the benefits cost 12 percent of payroll, according to Mr. Myers' estimate, you can finance that 12 percent in a number of different ways, as Mr. Ball implied.

Now, under the financing that is set forth in the present law, to keep consistent with what Senator Byrd has implied, it assumes—and this is speaking roughly—that 9 percent would be financed out of the payroll tax, and the difference of 2 or 3 percent would be financed out of interest earnings.

If Congress in its wisdom decides that it does not wish to have an interest-earning reserve, and still finances those same benefits in that year, then you must find another source of income for the fund to meet the financial commitments.
The Chairman. I would like to ask a question of Mr. Myers, who is the best expert on figures I think I have ever come in contact with. You start out with next year and extend it up to, what was your last estimate, to where?

Mr. Myers. We run the figures for about 70 or 80 years off into the future.

The Chairman. Seventy or eighty years off. All right. Then calculate what the income would be in each of those years, and calculate what your interest income would be, and if you can calculate what the interest on money will be 80 years from now, you will be performing something that nobody ever conceived of up to this date.

How can you tell what the interest is going to be?

Mr. Myers. Well, Mr. Chairman, as to the interest rate assumptions, we do not estimate really what the interest rates will be. Rather, we assume an interest rate. We have used an average interest rate for the long-distant future of about 3 percent, which is a conservative rate compared to the present return of 3 3/4 percent.

The Chairman. In other words, you assume the present interest rate will continue as it is for 80 years?

Mr. Myers. Well, we assume a bit less than the present because we assume about 3 percent, and the new investments we are getting at the moment are around 3 1/4 percent. So it is merely a matter of assumption.

The Chairman. Your assumption of your figures may be inaccurate and you are not to be blamed if you are, because you are estimating 50, 60, 70 years ahead of time. It is very difficult to estimate a year ahead of time what the rate will be; you will get the average interest paid on Government bonds.

Mr. Myers. That is right.

The Chairman. That has varied a good deal in the last year. So I cannot put much reliance upon an estimate made 70 and 80 years ahead of time. But anyway, please get that up for the record, you understand what I mean?

Mr. Myers. Yes, I will do that.

(The information referred to follows:)

Memorandum from Robert J. Myers.

Subject: Estimated future income of the old-age and survivors insurance trust fund, by source.

The old-age and survivors insurance trust fund receives income from two sources, contributions (or taxes) and interest earnings on invested assets. In respect to the latter, the law provides, in essence, that the investments shall be in obligations of the Federal Government, which can be either marketable obligations purchased in the open market or at issue, or special issues. The interest rate specified for the special issues is approximately the average market rate prevailing for all long-term (4 years or more until maturity) Government obligations at the time these special issues are obtained by the trust fund.

The following table shows for the OASDI trust fund the actual 1960 income, as between contributions and interest, and similar estimated figures for various
It may be noted that the estimated figures for interest receipts are based on an assumption of approximately a 3 percent return in all future years. For present law, the contribution income rises from almost $11 billion in 1960 to $20 billion in 1970; most of this increase is the result of the higher tax rates scheduled in the law for the future. After 1970, the contribution income continues to rise, as a result of the estimated growth in the size of the working population. Throughout these estimates a constant earnings assumption is made.

Actual interest earnings for 1960 were slightly over $500 million. In the future, the interest earnings are estimated to increase gradually as the trust fund becomes larger. At the present time, interest earnings are only about 1 percent as large as contribution income, but this proportion is estimated to increase over future years, eventually rising to about 20 percent. These same general trends occur for both the present law and H.R. 6027.
pay the same amount in the form of a government contribution to the system.

But if you did not have that interest, or that reserve, at that time, then the taxpayers of the future would have to pay the interest on that, on the money borrowed from other people, plus the same amount to the system, thus having to pay a double amount.

Senator Curris. Well, you are assuming that the social security board buys bonds that would otherwise have to be sold to other people!

Mr. Cohen. That is correct; and I think that has been demonstrated certainly in the last 24 years——

Senator Curtis. Of course, they do not buy bonds in the open market, do they?

Mr. Cohen. Yes, sir.

Senator Curtis. They have a method whereby they can go direct, the Treasury can go direct.

Mr. Cohen. About 10 percent of the assets of the funds are now in bonds purchased in the open market.

Senator Curtis. 90 percent the Treasury can go direct?

Mr. Cohen. That is correct; 90 percent are in special issues.

Senator Curtis. And in estimates of whether or not we are on a cash budget, in estimates on whether or not our cash budget is in balance, we treat social security taxes in my book, contributions in yours, as part of the receipts, do we not?

Mr. Cohen. Yes, sir.

Senator Curtis. Secretary Ribicoff, I mean this sincerely, I have a very high regard, not only for your political astuteness but your mathematical astuteness, and I say without reservation you are surrounded by three of the most learned men in the field of social security. I sometimes think that we ask impossible questions on what this system will cost 10 years from now or 50 years from now, and I hope it is in operation 100 years from now. I do not want to see it collapse.

I believe there are some assumptions that have to be made in this field, that we just get far afield and confused when we liken it to private company retirement plans and when we commit the terrible sin of likening it to insurance.

In that connection, Mr. Myers, in general, what are the assumptions that an actuary for an insurance company has to make in order to determine premium levels?

Mr. Myers. An actuary for an insurance company in determining premiums for life insurance or for annuities, must make assumptions as to future mortality, future interest rates, and future administrative expenses of the company.

Senator Curtis. Mortality, interest rates, and administrative costs?

Mr. Myers. Yes, Senator Curtis.

Senator Curtis. Now, in the field of social security we have to take into account all three of those; do we not?

Mr. Myers. That is correct.

Senator Bennett. May I interrupt you? Isn't your administrative cost carried outside of the social security system?

Mr. Myers. No, Senator Bennett. The administrative costs in their entirety—for the collection of the taxes, the keeping of the wage
records, and the paying of the benefits—come directly out of the trust funds.

Senator BENNET. I was mistaken on that. Excuse me.

Senator CURTIS. Now, there are some other assumptions that have to be reckoned with in the field of social security, are there not, that are more intangible and less possible of determination; isn't that correct?

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

Among such factors, as you know, are such elements as the probabilities of people retiring, the proportion of people with children, the proportion of men who are married, the future earnings levels, the number of people coming into the coverage of the system in the future by virtue of entering the labor market, and the in-and-out movement of people, particularly women, as between working and not working in covered employment.

Senator CURTIS. Then assumptions have to be made in the level of employment, assumptions have to be made into the size of the families; isn't that true?

Mr. MYERS. That is correct.

Senator CURTIS. And that trend has reversed itself a time or two in the last half century, has it not?

Mr. MYERS. The trend in fertility has not been at all level.

Senator CURTIS. Is it not true that at the time the Social Security Act was conceived there were very many capable population experts who said that the population of the United States would rise to 140 million or thereabouts, and then level off?

Mr. MYERS. Yes. Many, if not all, of the population estimates made at that time assumed that the ultimate level would be very considerably below what even the present level is.

Senator CURTIS. Yes.

Now, by gaging past performance in medical science, you can with a considerable degree of accuracy measure mortality, can you not, when you deal with that?

Mr. MYERS. That is probably one of the elements that is best predictable in the future.

Senator CURTIS. But clearly you cannot measure the birth rate.

Mr. MYERS. Not nearly as reliably. Obviously there are certain limits within which it must fall, but the range is wider.

Senator CURTIS. If we miss one trend, if over a period of 25 years we miss one trend, and some people thought the family of two children was here to stay, and it goes to three, in 25 years the number of parents with children have increased one-third. Now, those things are not the real unknown factors I am talking about.

Isn't it true that the costs, the amount of money we spend for social security, are going to be dependent a lot upon the Congress; isn't that correct?

Mr. MYERS. As to the amendments that might be made by the Congress?

Senator CURTIS. Yes.

Mr. MYERS. That, of course, is true. Our estimates obviously assume only the present system.

Senator CURTIS. Yes.

Mr. MYERS. We cannot estimate—
Social Security Benefits

Senator Curtis. The estimates are based upon the continuation of the present law.

Now, this may be the last social security bill of the 87th Congress. But who is there to say that in the second session of the Congress, whether the administration recommends it or not, there might not be a social security bill passed in the House of Representatives?

Senator Bennett. You have another one in the wings, medical care for the aged.

Senator Curtis. We know about that. But who is there to say there may not be another one to affect the rates of benefit. You cannot tell, can you?

Mr. Myers. No.

Secretary Rmioff. This again is going to depend upon the Congress of the United States.

Senator Curtis. Yes.

Secretary Rmioff. I assume, because of my respect and love for the Congress of the United States, that there will always be enough commonsense in the Congress of the United States so that these factors will be taken into account. The questions you are asking, Senator Curtis, and the questions Senator Byrd asked, and the questions Senator Bennett asked, the questions that Congressman Mills and Congressman Byrnes keep asking, you are zealous and thoughtful about the future and the integrity of these funds, and other factors will always be counterbalanced by the commonsense and wisdom of the Congress of the United States.

Senator Curtis. I understand that.

That is the reason I sincerely prefaced my remarks in saying that I thought the Congress was unfair to you people in trying to pin you down as to future costs, because no one knows who may be the Members of the 88th Congress. We are in the 87th Congress now, and nobody will know what it will be. The Congress that is over, there will be social security legislation.

Now, speaking of the increase of benefits alone—and I am not implying that they were not necessary, because our wage and price level and living costs are something that are so well known—but speaking of the increase of the benefits alone, either by percentages or by formula, how many increases of benefits have there been since 1937?

Mr. Myers. Senator Curtis, the first benefit formula provided never went into effect because the 1939 amendments revised the basis. It paid higher benefits in the early years, and lower ones later, so the first benefits that went into effect were those under the 1939 act.

Then in the 1950 amendments there was an increase that averaged close to 80 percent.

In 1952 there was another increase that was somewhere around 12 or 13 percent.

In 1954 there was a similar increase, and in 1958 there was an increase of about 7 percent.

Senator Curtis. Did we miss 1956?

Mr. Myers. In 1956 the benefits were not increased, as such. The changes made in 1950, as you will recall, were to lower the minimum retirement age for women to 62, and to introduce monthly disability benefits.
Senator BENNETT. Wasn’t that an increase in benefits?

Senator CURTIS. I have restricted my question to either an increase in benefits or change in the formula which would result in the same thing.

Senator BENNETT. Yes.

Senator CURTIS. So in addition to that there have been added aspects to the program such as disability benefits, and lowering the age for women, which occurred in 1950.

Mr. MYERS. Yes; Senator Curtis.

Mr. BALL. Senator Curtis, I think it would be only proper to point out that those increases in dollar amounts, speaking very broadly and on the average, have only been enough to a little more than keep up with price rises during that time.

Senator CURTIS. I did not say I criticized that.

Mr. BALL. And not enough even to keep up with the level of wages, so that today the retired aged, as a group, even after these changes, compared with active workers, have a smaller proportion of the income of the country than was contemplated in the original program.

Senator CURTIS. That is exactly the point. We are dealing with a system that we cannot contemplate what the Congress will do in the 88th Congress or the 89th or the 90th or clear on up to the 100th.

Now, this will also be affected by what the Republicans put in their platform, and what the Democrats put in their platform in 1964, 1968, 1972, 1976, 1980, 1984, 1988, 1992, 1996, and the year 2000, because we do not want you to get all that vote, and you won’t let us have it all either, and there will be some amendments now and then that are well ironed out by the Ways and Means Committee for which I have the highest regard, and this committee. But there will also be some floor amendments sometimes that make quite an appeal.

Mr. COHEN. Senator Curtis, I know we have discussed this matter on other occasions.

Senator CURTIS. Yes.

Mr. COHEN. The comment that you are making is equally applicable to any kind of a program of public responsibility for meeting these risks.

Senator CURTIS. All right now, listen; this in my point: The rest of them do not run in perpetuity. We all hope and pray for the day when wars will be no more, so while we are going to spend not so many years from now $3 billion a year for military retirements alone, I hope every veteran lives a long, long time, but I know he will not live forever.

When we, in some of these, to my mind, false notions that have been injected into this system, liken it to something that is not like at all, it has a cumulative effect; it creates problems and gives illusions about the future.

Actually, I believe that this generation of able-bodied producers should be taxed to pay a generous social benefit to those elder citizens who can no longer earn or choose to no longer earn. But I think all that this talk about making insurance, to pay out something, confuses a lot of people.

Now, for instance, a Member of Congress will get mail that says, “We understand you have over $20 billion in the reserve. Why don’t you increase my benefits? You are making that much profit.”
Well now, that reserve does not indicate that at all. I am going to ask you another thing about those bonds.

Senator BENNETT. Before you leave that, may I interject an idea?

Senator BENNETT. The actuaries who are concerned with trends, and they make assumptions on the basis of past records, I think there is no more definite trend than the fact that in every election year since 1950 we have either increases or extensions to social security.

Mr. COHEN. That is where I differ with Senator Curtis. Where he says that the solution is simply a different kind of system to pay out a series of benefits that the people of this year agree ought to be paid, I think that you would be subject to exactly the same difficulties and dilemmas of what will the next Congress do with those commitments. In fact, you are under even greater difficulties than you are under in this system, because you have no other touchstone than the whole Federal Treasury when you go to what Senator Curtis is saying.

If Senator Curtis' principle is correct, then the aged, the disabled, and the survivors can come in and say, "You have now committed yourself to a principle to pay what you can pay. Pay out $50 billion."

Senator CURTIS. Well, now, there is this difference: In the first place, I am not suggesting that you have to change the system materially. I think you have to change the terminology that you call it. There is this very important difference with this illusion, with this misconception which has been built up over the years as to how it works, not with all people has it been deliberate, but it translates itself into certain political problems, and I can illustrate.

As long as we say, well now, we have planned this so it is going to be self-supporting, we are going to have a tremendous reserve in the year 2025, and the tax won't be more than this, and we are going to give such and such a level of benefit when we get there, the young fellow 25 years old living in my State—I come home from Congress and he says, "Senator, I am glad you voted for that. I am looking forward to it. I wish you could increase it just a little bit more."

The people who are receiving it, they say, "That is fine. I wish you would just give us a little bit more."

But if it had been in the concept that this 25-year-old fellow or the 35-year-old fellow who is educating his family and buying a home and supporting the community chest and carrying all the burdens and paying a considerable portion of the taxes through his withholding, if he had realized that whatever social security tax had been imposed on him was to pay grandma's social security, then he would have said, "Senator, I want you to be generous and fair with grandma, but don't overdo it, because I have got my obligations today. I want to educate my children and I want to pay for my home."

In other words, by semantics there has been removed from the whole front the restraint that is applied by the people who feel that they are paying for a program.

The reason how this has differed, say, from the rivers and harbors or flood control bill, very simply is this: A particular flood control program does not run on forever. The problem may be there but it is approaching solution.

In the second place, there are many people in the United States who say, "I am not directly benefited at all. I am willing to be taxed..."
reasonably, but if I am taxed too much," they exert a pressure against it, and that is what I feel has happened.

I do not want to shut anybody off, but I do not want to either take the time to get a record on my feeling.

Mr. Cohen. My evaluation—of course this is something we have talked about for 25 years—is that by stressing the contributions that the employer and the worker have made, as Senator Douglas has said, you have got a more conservative mechanism in this system than if you rely on these other factors.

Senator Curtis. Yes. Well now, this is to illustrate the practical difference in our approach. When you appeared here in March in reference to your confirmation, Mr. Cohen, I asked a question, which is found on page 98 about what proportion of social security taxpayers come within these classes, and you replied:

You mean the 15 million beneficiaries of social security, within these?

Senator Curtis. No; I am talking about taxpayers.

Mr. Cohen. Oh, the contributors.

Senator Curtis. No, I prefer to call them taxpayers.

Mr. Cohen. I see.

Senator Curtis. Well now——

Mr. Cohen. I did not agree, I just saw.

Senator Curtis. You did not agree.

Mr. Cohen. I did not agree, I just saw.

Senator Curtis. All right.

Here is a clipping somebody sent me, and I usually insist that my staff put a date on it, and the paper it comes from, but it is within the last—it is within since this happened:

IRS Explains Horse Grab for Tax Debt

The Internal Revenue Service yesterday issued an unusual statement in defense of its seizure of three horses from an Amish farmer to settle a tax debt.

The IRS said the much publicized seizure represented an unpleasant and difficult task. However, it said, "We have no other choice under the law" when farmers refuse to pay social security taxes on their self-employment income.

I am not against that. I introduced the first bill in the Congress to extend social security to the self-employed, but I am against kidding that if a contribution is taxed and the Government can sell them out if they do not pay it.

The horses were seized from Valentine Y. Byler of New Wilmington, Pa. The IRS said Byler owed $257.78 in social security taxes for 1966 through 1969.

The tax agency said "considerable public and press misunderstanding exists over the seizure." It said Byler was a member of a "hard core" group of Old Order Amish farmers in the Pittsburgh area who have ignored appeals from church officials to comply indirectly with the legal requirements to pay social security taxes.

The Old Order Amish object to social security taxes because of religious convictions, taking the position that such taxes are insurance premiums rather than taxes.

Well now, I would like to ask Mr. Myers for some figures, if he will supply them later, and it will be satisfactory, because I do not want him to take the time now, about when did the first beneficiary or the first group of beneficiaries commence to draw from the social security, from OASI?

Mr. Myers. In January 1940.

Senator Curtis. Are there any of those still alive?
Mr. Myers. Oh, yes, I am certain that there are some.

Senator Curtis. I realize that my question is going to be narrowed down to a small group, but I want to use it for an illustration.

What I would like to have would be, and you can supply it, I will try to state it clearly for the reporter, I would like to have some figures on a hypothetical case. We will assume that the man and wife are of the same age, that he did retire on January 1, 1940.

Mr. Myers. Yes.

Senator Curtis. That his wage record was such that he received the maximum benefit then paid. We will further assume that he has not worked under covered employment since then.

I want the following information: How many times has his benefit been raised retroactively—been raised; what are his benefits and what does his wife's benefit amount to now; what is the aggregate of the two benefits up to, say—what month would be a convenient month?

Mr. Myers. Any month up through this month that you would want, Senator.

Senator Curtis. All right, up through the month of May, 1961.

This is all on the assumption that he started off on the maximum.

Now, I want to know, we have assumed that he has not worked since then in covered employment—I want to know the maximum tax that he could have paid to get this maximum benefit, and the maximum tax that his employer could have paid.

Then, after you work out that illustration, I would like the same illustration for the same dates, the same hypothetical case as to the man retiring, he and his wife are still living, and so on, with this difference, that he received the minimum benefit in January 1940, and how many times he has been raised; what his pay is now, and the total.

Senator Bennett. The minimum tax.

Senator Curtis. Yes, and the minimum tax that he could have paid to qualify, and the minimum tax that his employer could have paid. Wasn't it 1950 that we had the so-called new start?

Mr. Myers. In the 1950 amendments, Senator Curtis.

Senator Curtis. Wasn't that also the first time we put the self-employed in?

Mr. Myers. That is correct.

Senator Curtis. Did that include farmers?

Mr. Myers. No, farmers were brought in by the 1954 amendments, effective in 1955.

Senator Curtis. Well, when, on what date, would the first beneficiary or group of beneficiaries that were brought in after the passage, that received benefits after the passage, of the 1950 act, assuming they were self-employed, and the only wage record they would have would be self-employment income; and with all the assumptions in these other two cases, give me both a maximum hypothetical case and a minimum hypothetical case.

Mr. Myers. Have I left out any factor that is needed in order to—

Senator Bennett. You have to put a date—he will go forward until May of 1961!
Mr. Myers. Yes.

Senator Curtis. Yes, exactly the same thing.

Mr. Myers. Yes. The latter figures would be for the man who is in for the minimum time and reaches age 65 at that point, and then has a wife the same age.

Senator Curtis. Yes.

Mr. Myers. And this is to carry the benefits paid up to the present time. I will furnish the data that you request.

Senator Curtis. Yes, and I want the record to show I am not hostile to these benefit raises, and I am certainly one who has always advocated if our economy can carry the burden of the Social Security System it should take care of everybody, because certainly the employer's tax and a lot of the employees' tax and the self-employed taxes are borne by the general public, passed on.

But I am anxious to see how far we have gone in accomplishing the continuously announced objective that this is a contribution system that is like insurance, and that everybody pays for his own, and the reserve represents a profit.

(The information previously requested follows:)

Memorandum from: Robert J. Myers.

Subject: Illustrative benefits for several "minimum" and "maximum" cases under the old-age, survivors, and disability insurance system.

This memorandum presents certain data on benefits and contributions (or taxes) for several suggested individual cases. In each instance there is a "minimum" case and a "maximum" case, by which is meant assumptions involving the minimum contributions required for an earnings record that produces the minimum primary benefit and, conversely, the maximum contributions required on an earnings record that produces the maximum primary benefit.

Case A relates to an employee attaining age 65 in January 1940, with a wife the same age, and retiring completely at that time. Both individuals are assumed to be alive at the end of May 1961. Similarly, case B relates to a self-employed individual who was first covered by the program in 1931 and who retired at the earliest possible date—namely, April 1952. The following material gives the pertinent data in regard to the contributions paid and the benefits received in various periods and in the aggregate.

ROBERT J. MYERS

Case A, retirement in January 1940

<table>
<thead>
<tr>
<th></th>
<th>Maximum case</th>
<th>Minimum case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total creditable earnings</td>
<td>$9,000.00</td>
<td>$300.00</td>
</tr>
<tr>
<td>Employer tax</td>
<td>90.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Employee tax</td>
<td>90.00</td>
<td>3.00</td>
</tr>
</tbody>
</table>

Old-age benefit:

<table>
<thead>
<tr>
<th>Month and Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1940-August 1950</td>
<td>$11.20</td>
</tr>
<tr>
<td>September 1939-August 1939</td>
<td>25.00</td>
</tr>
<tr>
<td>September 1944-December 1958</td>
<td>20.00</td>
</tr>
<tr>
<td>January 1959</td>
<td>8.00</td>
</tr>
</tbody>
</table>

Total benefits, January 1940-May 1961:

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old-age benefits</td>
<td>$4,877.00</td>
</tr>
<tr>
<td>Old-age plus wife's benefits</td>
<td>$2,674.20</td>
</tr>
</tbody>
</table>

Assumptions: Man and wife attain age 65 in January 1940. Man has no earnings after 1959 in either case. For maximum case, covered wages are $6,000 per year for 1937-39; for minimum case, wages are $50 per quarter for 6 quarters during 1937-39.
## Case R, Retirement in April 1952

<table>
<thead>
<tr>
<th></th>
<th>Maximum Case</th>
<th>Minimum Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total creditable earnings</td>
<td>$7,200.00</td>
<td>$400.00</td>
</tr>
<tr>
<td>Self-employment tax</td>
<td>152.00</td>
<td>18.00</td>
</tr>
<tr>
<td>Old-age benefit:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>April 1932-August 1952</td>
<td>50.00</td>
<td>20.00</td>
</tr>
<tr>
<td>September 1932-August 1954</td>
<td>85.00</td>
<td>25.00</td>
</tr>
<tr>
<td>September 1954-December 1955</td>
<td>96.50</td>
<td>30.00</td>
</tr>
<tr>
<td>January 1956-</td>
<td>105.00</td>
<td>33.00</td>
</tr>
<tr>
<td>Total benefits, April 1932-May 1956:</td>
<td>10,077.00</td>
<td>3,217.00</td>
</tr>
<tr>
<td>Old-age benefit</td>
<td>13,018.10</td>
<td>4,829.50</td>
</tr>
<tr>
<td>Old-age plus wife's benefit</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Assumptions: Man and wife attain age 65 in April 1957. Man has self-employment earnings in 1951 and 1952 of $3,600 in each year for maximum case and $400 in each year for minimum case, and he has no earnings after March 1952.

Senator Curtis. Mr. Secretary, do you not happen to know, or can you provide us with the number of civil service retirees living now and the number who are also social security beneficiaries?

Secretary Ribicoff. I personally do not have it. Do you have those figures?

Senator Curtis. Could they be supplied?

Mr. Myers. There have been studies of this subject made in some recent year, the last 2 or 3 years, by the Civil Service Commission, and we can get those figures for you.

Senator Curtis. All right. I will make my question general. If you can give us as much, the benefit of a summary of such studies as have been made——

Secretary Ribicoff. We will try to get it as current as we can.

(The information previously requested follows:)

**Memorandum from:** Robert J. Myers.

**Subject:** Proportion of civil service retirement annuitants who are receiving benefits under the old-age, survivors, and disability insurance system.

The Civil Service Commission, several years ago, made a study that included data on the proportion of annuitants under the civil service retirement system who were also receiving benefits under the old-age, survivors, and disability insurance system. This study was published in a committee print of the House Committee on Post Office and Civil Service, entitled "Report on Civil Service Annuities Requested by Committee on Post Office and Civil Service, House of Representatives," dated March 23, 1955. The statistics are on a 10 percent sample basis and relate to the middle of 1954 and are in respect to employee annuitants who retired before October 1950 and who reside in the continental United States.

The total number of employee annuitants of all ages in the category described above was approximately 230,000. Of these, an estimated 50,000 or 26 percent also received benefits under the old-age, survivors, and disability insurance program. The questionnaire was intended to include only primary benefits (based on the individual's own earnings), but it appears likely that a number of survivor beneficiaries were also included. If the comparison is restricted to persons beyond the minimum retirement ages under the OASDI system at that time (65 for men and 62 for women), there would be about 170,000 civil service retirement annuitants involved, of whom about 35 percent were also receiving OASDI benefits.

Senator Curtis. A few weeks ago I went home and called on an old friend of mine past 80 years old, living in an old people's home, and I thought he was looking well.
I tried to cheer him up, but he says, "I have been reading these papers, and these doctors are going to have us live to 120 years of age. I am not so far from that now."

What is the philosophical argument in favor of reducing the retirement age for men from 65 to 62, separate and apart from any cost items?

Secretary Ruskoff. I think the problem we have here, is that at the present time in many areas of the United States, because of technological changes, there are groups of people who are being put out of work and, as you start to retrain or bring in a new industry, a new industry will not hire the older men.

I have no quarrel with industry on this score, because training is expensive.

In seeking to build a new establishment and to train people they have a right to expect that these individuals will be with them for a substantial number of years. Consequently, the people in their sixties or late fifties are finding great difficulty in finding jobs at the present time with about 5 million people out of work.

Consequently, since they cannot find a place in the normal labor market, it is my feeling that they should be given the option to retire at an earlier age than 65.

I have seen this, in my own experience as Governor, trying to bring new industry into certain sections of my own State. In talking to manufacturers who seek to come in, they are interested in knowing the figures on the pool of labor in various age categories.

Certainly, when they find there is a pool of labor in the early thirties, or up to 40 years of age, this is an attractive thing to them because they know they can put these people through a training program and are assured of 20 or 25 years of service in their industry.

I believe from my experience that there would be very few manufacturers coming in with a new industry, a new product and a new method who would start a training program for men at the age of 60 or 62.

Since we have this basic problem with us, as our Nation comes out of a recession, that there are fewer people who are taken back to work after each succeeding recession, because of technological improvement in means of production. Consequently, I think there is a great problem we face as a society with these older people who cannot find work.

Looking at the other side of it, philosophically I think it is tragic for many people today forced to retire at 65, because I know people who have many, many more good years.

Senator Curtis. That is what I was going to ask. Do we also have a problem, a social problem, that might even be called an injustice to people who are forced to retire?

Secretary Ruskoff. Personally, I think so. In my own personal acquaintance I have seen men who, at the age of 62 or 65 retired from
large companies, vigorous, physically, and mentally, with many, many good years before them, I have seen them come up to me during my terms as Governor and say, "Abe, give me something to do. I will do something for the State on a commission or a board. I am not looking for pay, but I just can't stand idleness."

I have seen men that I have known with an active life just reduced to taking a walk with nothing to do, completely disintegrating. I think it is necessary for a man to work. I think it is a tragedy for a man, when he has nothing constructive to do.

Senator Curtis. In other words, the problem of the elderly citizen, as shown by every conference that has been held on that, indicates that some of the very important things to an older person, of course, he has to feel loved, but in addition to that, to feel he is needed, to feel that he is accomplishing something, that he is making a contribution to the work of the world, as well as to feel that the details of tasks performed each day provide an interest and a fascination and a challenge; isn't that true?

Secretary Ribicoff. I subscribe to each and every word that you have said.

Senator Curtis. Have there been any statistics gathered on the number of people who may be the victims of a social problem of forced retirement beyond or earlier than physiologically they should be, as compared to the number who have to retire early because their particular profession or work goes out of existence due to technological change?

Secretary Ribicoff. We will try to find out whether the Labor Department has ever made a study in the field you are talking about.

You have some comment to make, Mr. Ball?

Mr. Ball. Senator Curtis, you can appreciate that it is a very difficult thing to determine whether the individual retired because he really could not do the job and was partially disabled, or whether the employer just thought he was or told him he was. And what figures we have on on this that I am familiar with really are what you would call self-assessments.

We have asked our beneficiaries in sample studies why they retired, and we do have some figures that indicate how many because they reached a compulsory retirement age in a company, although they nevertheless felt able to go on, and how many felt themselves that they could not work any more. We can throw some light on your question, but I am sure you would recognize the limitations of self-assessment.

(The following was later received for the record:)

Reasons for Retirement

We have no recent information on the reasons why people retire, but five sample surveys between 1941 and 1951 of retired workers who were old-age and survivors insurance beneficiaries suggest that at that time relatively few were forced into retirement by employers' compulsory retirement policies.

Following is a table compiled from data obtained in the 1951 national survey of old-age survivors insurance beneficiaries (the latest survey of beneficiaries that included a question on reasons for retirement) showing the reasons given.
by old-age insurance beneficiaries for termination of their last covered employment.

<table>
<thead>
<tr>
<th>Reason for termination</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of beneficiaries</td>
<td>12,035</td>
<td>2,078</td>
</tr>
<tr>
<td>Percent</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Quit job</td>
<td>55.2</td>
<td>65.2</td>
</tr>
<tr>
<td>Unable to work</td>
<td>44.8</td>
<td>46.9</td>
</tr>
<tr>
<td>To enjoy leisure</td>
<td>3.6</td>
<td>4.0</td>
</tr>
<tr>
<td>To find other work</td>
<td>1.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Other reasons 1</td>
<td>2.2</td>
<td>3.6</td>
</tr>
<tr>
<td>Lost job</td>
<td>44.8</td>
<td>34.8</td>
</tr>
<tr>
<td>Because of company retirement policy</td>
<td>17.6</td>
<td>9.7</td>
</tr>
<tr>
<td>Reached company retirement age</td>
<td>10.9</td>
<td>5.8</td>
</tr>
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<td>Employer thought unable to work</td>
<td>8.7</td>
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<td>Other reasons 1</td>
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1 Part-time, nonger, or different work.
2 Such as being unwilling to adjust to another kind of assigned work or being needed at home.
3 Such as job discontinued, reduction in force, or employer went out of business or moved.

Senator Curtis, I am older than I was in 1936. There are times that I have lost sight of that, but I have been compelled to realize the necessity, so that colors my judgment.

I cannot look objectively upon what I am about to say, but it seems to me that whether you take the age 65 or 62 or 70 or whatever it is, that what was considered an aged man or woman, physically and mentally, a quarter of a century ago, the fact of a particular age has not been made constant, has it?

Mr. Ball. No.

Senator Curtis. Isn't the individual who is now 65, in general, in better physical condition and mental condition than was, perhaps, the average 65-year-old man and woman 25 years ago?

Secretary Rubicoff. That is probably so. I think while you and Senator Douglas may not agree on too many things, this is the point Senator Douglas was making.

Senator Curtis, I have said this before—I made the statement out in Minneapolis within the last 2 weeks to the National Conference of Social Workers—I think that the great tragedy in America is that we have continued assuming that the Nation of today is the same as the Nation of 25 years ago and, consequently, we have been going along on all our social and welfare programs on a 25-year-old formula that may no longer apply, and that if I do nothing else in the job that I am in at the present time, I intend to restudy every social and welfare program.

Now, interestingly enough, along that line, Mrs. Roosevelt came up to visit with me 3 weeks ago, and I had the same discussion with her, and she pointed out to me the fact that many people take these programs and say, "These are the Roosevelt programs and, therefore, there is something sacred about them because they were the Roosevelt programs."
However, she recognizes, and she wrote about a column she would write, on how thrilled she was at the thought that the Secretary of Health, Education, and Welfare recognized the fact that the country has changed, and that the fact that these programs were passed 25 years ago under her husband didn't mean they were the programs that must and should continue. I, for one, do not consider that we should look at every problem as we have looked at it for 25 years, and I think this is what you are driving at, there is something to what you say.

In the process of looking at all these programs, I think we have a duty to look at what you have pointed out. What is the difference of mankind, what is the difference between man 65 today and as he was 25 years ago? This has to do with all our assistance programs, and I think basically this has to do with social security.

Senator Curtis. What do they call the medical practitioner who specializes in the aged?

Mr. Cohen. Geriatrician.

Senator Curtis. Now, the geriatrician’s answer to what is the proper age for retirement might be quite in conflict with a candidate for the Senate’s definition of what is the proper age of retirement, especially if the contest is close; is that right?

Mr. Cohen. That is correct.

Secretary Runcroft. That is correct.

Senator Curtis. This is one of the problems we have to recognize.

Secretary Runcroft. This is one of the problems we must recognize, but I do not consider this proposal as a political vote catcher for this reason. I do not think today that a man 62 wants to retire and get a benefit. It is my humble opinion, from my experience, that the overwhelming number of people at the age of 62 would much rather have a job, they would much rather have a full week’s pay.

The reason this is important is that I respect your commonsense, sir, as I think you respect mine, and I think that we look at these problems the same way.

But the thing that worries me is that if you go into sections in West Virginia, if you go into Kentucky, or even go I’m sure, in sections of your own Nebraska, and certain sections of my own Connecticut, areas completely diverse, you go where there has been an industry which has moved out, or where there has been a technological change, and you find that people are thrown out of work, and many are 60 and 61 and 62. Now, they are in the market competing with men in their 30’s and 40’s.

I have no quarrel with any manufacturer, any employer, coming in with a new industry who will hire the 30- or 40-year-old man as against a 60-year-old man.

What do we do with John Jones, age 62? He wants to work. He realizes, even though he does not want idleness, that he cannot get a job and not being able to get a job, not being able to compete with men 25 years his junior, are we going to say to him, “You just go on general assistance?”

I say this: I think it is a proper thing to do to give him the option of accepting a lower retirement benefit. I do not think that he is going to capriciously take this option, because in taking this option he will get lesser benefits than if he waited until the age of 65. So it would seem to me that, in doing this, we are not encouraging retire-
ment. We are giving a man the option himself, and it is my opinion it will be accepted only after he has exhausted all hope of getting a job in which he can earn wages.

Senator Curtis. I agree with you that the rank and file of the people back home have more commonsense than those of us who are trying to get their vote.

Secretary Ribicoff. That is right.

Senator Curtis. My point is that there are some unknown political factors in here that make this system a political system, and the more we can do in actual reality to get out the information as to the type of a system it is and what it costs and so on, the more we will be backed by a sound public opinion at home.

I want to thank you, Mr. Secretary. Mr. Bennett wanted me to yield to him for a question. I thank you very much.

Senator Bennett. When we were talking back there about the question of statistics on people who are forced to retire at 65, I would think the first place to go, the first place to go, let me repeat, would be a study of the pension plans from private industry which required retirement at that age, and we can some kind of a pattern on whether that number is increasing or decreasing, because talking out of my own experience, most private pension plans now are geared or built in to be parallels to the social security system.

Most private pension plans assume a man at retirement is going to have so much security and then we are going to supply the difference within a range and I would be curious to know whether the trend is for more pension, more private plans to force retirement at 65, or permit longer service.

Secretary Ribicoff. Interestingly enough, along that line, Senator Bennett, there is nothing from statistics that I gather here, but from my own personal experience.

One of the problems you have is in the executive group in industry who are forced to retire at 65, to their unhappiness, and one of the basic reasons why they must retire is the desire of industry to give an opportunity to younger men to advance into positions of authority and responsibility and positions of higher earnings.

It is not just the man who does laboring work. It is a cause of great unhappiness to many executives who are vigorous in their mental capacity and who are forced to retire.

I think some of the saddest cases are friends of mine whom I have known for many years who have held large important jobs and who then have to retire at 65 because it is a company policy.

Senator Bennett. I had a college president in my office within the last 2 weeks who reminds me of what a serious problem this is among educators. He, being president, he is allowed to continue until he is 68, but the professors have to go out at 65, and it is interesting to see out in the Far West how many colleges are picking up these men that you threw out of the eastern schools at 65, and give them 4, 5, or 10 years more active work.

Secretary Ribicoff. It is true. I think the University of California Law School has been established as one of the best law schools in the country just by hiring retirees.

One of my professors, who was a leading expert in the field of trusts, when I graduated from the University of Chicago in 1933, is still going full blast at the University of California, and he is an expert.
There is a special fund which takes these men, retired at 65, and rotates them around the country as visiting professors, because they do have a fantastic store of knowledge. Here again you run up against a situation of great dissatisfaction on the college level by assistant and associate professors who cannot advance to professorships.

Senator BENNETT. Senator Curtis reminds me that the college that fires a professor at 65, arbitrarily hires another professor at 70 under this kind of a program.

Senator CURTIS. It works out that way.

Senator BENNETT. As long as he did not work for them, he can come in on an average basis.

This whole problem of when is a man too old to work is very, very serious. It is hard to reduce it to statistics.

Secretary Runcorn. Senator Bennett, I think you have put your finger on a very, very important point, and we will take it into account in the studies that we will make on the problem of the aging. When I say the problems of the aging, I just do not consider medical care for the aged under social security as the only problem. Many of these problems we are going to face as a people are going to take a lot of thoughtful, hardheaded review to see just where are we going as a people, and I think that each and every problem that you and Senator Curtis have raised is a matter of deep concern. I am very pleased that you are thinking and talking about these problems just as we are thinking and talking about them. It is going to have to take the cooperation of all of us to come up with a commonsense program on this.

Senator BENNETT. There has been only one other thing that has injected itself into the discussion in the last few minutes, it has been in the back of my mind without being focused.

I have a memory of the early days of social security. I was in business, heading a business that had 100 or so employees, and I remember the feeling then was social security will enable us to retire some of our older employees so that we can hire some of the people out of the 12 million unemployed that are still here.

Now, we are here turning to that same philosophy, let us reduce the age on a voluntary basis so these people who are unemployed in hard core or for other reasons, can get out of the labor market, and we can reduce the number of unemployed statistically as well as hire other people.

Is social security now going to become one of the devices to solve the problem of full employment?

Secretary Runcorn. Keep in mind these people are presently out of work.

I would say that the question you raise is one of the dilemmas we, as a society, have to try to solve. It is a fantastic dilemma that a society such as ours, a productive, a rich society, which keeps on raising its standard of living year in and year out, in spite of temporary recessions, nevertheless yet keeps a permanent unemployed group that gets larger with the passing years.

If we could solve this problem, I would not worry about these other side problems.

However, I am concerned about the problem of the older man who is out of work. We do have this hard fact. What do we do about it?
I would say this is a practical problem that you and I are faced with and that we have to wrestle with. What do you do with a man at the age of 62? I would hope that our society was such that we could keep him working and we could get him a job, but I am concerned because this man cannot find a job. We estimate that this provision will cover some 560,000 people. If these 560,000 people cannot get work, what are we going to do with them?

Are we going to say, "Go on up to your welfare offices and ask for a handout," or are we going to say, "If you cannot get a job and new industries coming in won't hire you, at least you can have the option of retiring and getting OASDI benefits."

Do I have all the answers, Senator? I do not. I am just as concerned about it as you are.

Senator BENNETT. Just let me run off at the imagination for a minute or two. I have been on this committee during the period when we put in the disability retirement benefit at 50. We have now taken the age limit off. A man can retire for disability at any age. We are talking now about optional retirement at 62, and you and I have been discussing recently its effect, possible effect, on the unemployment situation.

Senator Hartke has been proposing for a year or two that this age should be 60. We are now doing it on the basis of reduced benefits actuarially, still actuarially related to the full benefits.

One of the next possibilities is let us drop it to 60, let us drop it to 55, let us drop it to 50, and when you do that, of course, the available benefit is so low that we will put a floor under the amount of reduction the man can take or we will adjust the actuarial basis on a progressive scale so it won't hit the man quite so hard.

What I am leading up to is, Are we about to step into a situation where we will say social security is not merely for the benefit of old age and survivors, our social security system must be used as a basis to provide statistical full employment by taking people off the rolls? Is this going to be used as a basis for solving our unemployment problem?

In individual cases you can say, "Yes, this is a fine thing. Here is Joe, he is 62, and he has not worked for 5 years. Let us retire him."

Fortunately, he has got social security, so we do not need to worry about him. But here is Bill who is 60, and he is up against the same thing Joe is, let us take care of him in the same way.

I have been here long enough to see these trends develop, to see how easy it is when you get these notch situations, to push your notch down a little further, and are we going to wipe out our unemployment problem by making it, by financing it, under the social security system?

Secretary Ribicoff. I hope not. Of course, in everything you have to draw a line.

Senator BENNETT. No matter where you draw the line there is always somebody outside of it.

Secretary Ribicoff. This happens. But when you talk about progressively pushing down the eligibility age, I cannot personally conceive of a society that could exist with a basic philosophy of having everybody retire at 50.
Frankly, I think people would end up hitting each other over the heads with baseball bats. I cannot see such a society existing.

Senator BENNETT. I cannot either, and I would hate to be a part of that society. But let me give you another example that is right before us.

Last year the Anderson bill in the Senate for medical care started at 68. The proposal this year is to start at 65. We are now going to reduce the retirement age of men on an optional basis to age 62.

How long will it be before we will say that medical care for the aged should be related to the retirement possibilities in the social security pattern, and we will have medical care at 62?

Mr. COHEN. That is why, Senator, it is good to stress this as a contributory program. The ultimate safeguard you have against all those potentialities is that the employer and the employee have to contribute to meet the cost under a program that relates the total income and the total outgo.

Senator BENNETT. My idea of contribution is something I myself take out of my pocket and hand to somebody. It is not, it does not apply to what somebody else takes out of my pocket, and I think this is a tax, and I believe the Bureau of Internal Revenue is right.

Mr. COHEN. You have to change the law then because it says it is the Federal Insurance Contributions Act.

Senator CURTIS. Who told us to do that, Wilbur? I remember the day it happened.

Mr. COHEN. I think it was a good idea, Mr. Curtis.

Senator CURTIS. Well, it happened over in the Ways and Means Committee, and I was there.

Senator BENNETT. We have now reached a point where we have consumed a lot of time, and the only thing that can save us from consuming more is the fact that we are approaching lunchtime.

Senator HARTKE (presiding). Let me say to you, Mr. Secretary, that I have always thought of you as being a practical humanitarian, and I think I can share with my distinguished colleague from Nebraska his admiration for you.

I have to admit that I am rather pleasingly surprised at the area in which you find common ground here today. This is rather unusual, to say the least.

I am also interested in something else. The so-called, what I would designate, the Chairman Byrd-Secretary Ribicoff 7-year plan, which was enunciated today, I just wonder whether I understood everything as you said it. I hoped I might have a clarification.

You believe then that the social security program, as far as coverage in all of its aspects today, has practically reached its maximum, is that right?

Secretary Ribicoff. I would say, frankly, we are approaching it on the basis of where we are today in relation to the $4,800 earnings base. To me it would seem that the big unresolved piece in social security is the health care for the aged. I believe deeply that health care for the aged should come under social security, and I hope that even Senator Bennett and Senator Curtis will realize that this is much more conservative than the Kerr-Mills bill. It is difficult for me to understand how a conservative can be for the Kerr-Mills bill as against social security.
Senator BENNETT. This is the same problem we are having with Mr. Cohen, whether it is a contribution or whether it is a tax. These are semantics.

Secretary RIMICOFF. Well, I do not care; you can call it whatever you want, if you will support the bill. [Laughter.]

But I do think that there is a point beyond which you do not go and, to me, I am talking personally, I would say that when you approach 10 percent of payroll you are about reaching the maximum, Senator Hartke.

However, I do think that improvements in it will come through a realistic raising of the earning base.

I think today $4,800 is not a realistic earning base, but I do think within those limits you are fast approaching the maximum tax. I would say in regard to the question Senator Bennett raised about lowering the retirement age to 50, if I had advocated that I would resign; I mean, there are just certain things I do not philosophically go along with.

Senator HARTKE. Yes, I understand what you mean, and I think I understood what you said a while ago about the world markets and the flow of gold, and concerned about the long-range effect upon the tax and, as I understand your background and your reputation, you are also concerned with people.

Secretary RIMICOFF. I surely am.

Senator HARTKE. We cannot lose sight of the fact that there are people, and they cannot just be treated as just so many nuts and bolts; isn't that true?

Secretary RIMICOFF. Well, I would say so, definitely. In thinking about people you have to think constructively.

I am against thinking about people just in terms of giving them something. I am thinking about rehabilitation. If a person is crippled and cannot work, put him in a position so that he can work instead of giving him money.

I am worried about the aid-to-dependent-children program because I fear there will be many cases where the children are going to be like their parents, and also become public charges.

I want, under that program, to make sure that the children are self-respecting earners. I am for taking care of those people who, through no fault of their own, society cannot absorb or who have problems. I think this becomes a problem for society.

I think the general welfare clause is a great asset. I think social programs are a necessity in a free society. I think it is one of the greatest dams we have against the advancement of alien ideologies.

I do not think that because you believe that there is a limit you are not a humanitarian, and I do not believe that if you are a humanitarian that means you are a radical.

I think you have to approach these problems in a constructive way. I think certain social programs can have a bad effect on society as well as the lack of any social programs would have a bad effect on society.

Senator HARTKE. Let us take those just specifically, Mr. Secretary. Do you believe that the present earning limitation which is applicable now to wage earners and not to any people on investment return is a fair system at the moment?
Senator Ribicoff. No. I believe some changes may be desirable.

Senator Hartke. Do you propose, and do you believe, that the earnings limitation should either be raised or removed or do you think that an earnings limitation should be placed upon individuals who are receiving their social security benefits and still receiving investment return, that they should be imposed? In other words, you have two alternatives. If you are going to make them equal—

Secretary Ribicoff. This is very interesting, because in different ways, Senator Douglas, you and, I believe, Senator Bennett and Senator Curtis are hitting at the same problem, even though I think the three approaches are different.

The problem that I face in this is the cost, the cost of what you would advocate.

In other words, your thought is to let a man at the age of 65 draw his benefits and continue working.

Senator Hartke. Now, I am not asking what my thoughts are. I am asking what the Secretary's thoughts are.

Secretary Ribicoff. Well, my thoughts—

Senator Hartke. Because this, you see, Mr. Secretary, has to be taken within the framework of the so-called Byrd-Ribicoff 7-year plan; you cannot ignore this. I mean, you cannot ignore the problem and say that we are only going to deal with cost and just ignore the problem. That does not eliminate the problem.

Secretary Ribicoff. No; it does not eliminate the problem, but I would say that cost of the solution has definite bearing on how you would solve the problem.

Senator Hartke. I agree with that.

Secretary Ribicoff. In other words, there are a lot of things all of us would like to do but, I believe, by the very necessity of our society we are limited in what we can do.

I do not think you can always translate everybody's wish into actuality because you could hurt a society by doing so.

Senator Hartke, I think you have to weigh each and every one of these things.

Senator Hartke. Let me say this to you, and I do not want to go into great detail, but I am going to ask you six specific points here today in line with this philosophy. The No. 1 point is whether or not the present earnings limitation should be maintained either partially, totally—I mean as it is today—or removed, or whether in the alternative a third alternative would be to impose upon those who are not wage earners, but upon investment recipients—

Secretary Ribicoff. I think you are talking about two different things. I mean—

Senator Hartke. I do not want to confuse you. I do not want to confuse you. Let me just take it one step at a time. Do you believe that the present earnings limitation should be retained in its present form or in a modified form?

Secretary Ribicoff. Personally I would like to see it changed.

Senator Hartke. All right.

Then comes the problem as to how much it is going to be changed and what modification is it going to take.

Secretary Ribicoff. That is right.

Senator Hartke. And in this, of course, there is a cost ultimately which has to be considered.
Secretary Rabinoff. I do think on the question of balance you have to weigh the general impact on our social and economic fabric.

Now, if you would say to do this would get us up another 1 or 1 1/2 percent of payroll, depending on how much you want to go, I would be against it.

If you would say you would like to do a certain amount, and I think this could be done by a realistic earnings base for tax purposes of $5,400, I think I would go along on part of it. But if you would say keep the earnings base at $4,800 and raise the tax another 1 percent, I would say no, again because of balance.

Senator Hartke. All right. Let me ask you, do you feel that the present disability provision really provides the protection in the type of aid which is necessary for what is really not a permanent disability, I mean permanent disability having lost its real meaning today, but let us say a long-term disability; do you feel that it is adequate at the moment?

Secretary Rabinoff. Well, I would say this: We advocated the President’s position, and yet it met very, very strong opposition in the House in the Ways and Means Committee and, consequently, since successful politics is the art of the possible, we went along with the House’s point of view, and because of this we had the overwhelming support of the Ways and Means Committee on both sides, and the overwhelming support of the Congress on both sides. I hope I am a practical Secretary.

Senator Hartke. Well, let me say how many new people were brought in under the disability provisions last year?

Mr. Cohen. Under the age of 65?

Senator Hartke. The age removal provision; yes.

Mr. Cohen. Mr. Myers says about 200,000.

Senator Hartke. 200,000.

Do you have any estimate as to the number which would have been included if it had been modified as proposed by the President now?

Mr. Cohen. I think 85,000 more would have been brought in under the President’s proposal in the first 12 months. It would increase somewhat, I think, after that.

Senator Hartke. All right. Let me ask you, Mr. Secretary, do you believe the present provisions which are applicable to the blind tend to encourage self-respecting blind individuals to provide for themselves? Do you not believe that more liberalization as far as the blind recipients are concerned is necessary?

Secretary Rabinoff. I will be frank with you, this is the first time the question of the blind has been put to me. I have not studied that; I have not studied it at all.

Senator Hartke. I am sorry. I did bring it up at the last session and I intend to bring it up in this one in the new bill.

Secretary Rabinoff. It has not been put up to me, but if I knew what you had in mind I would be glad to comment on it. If you would submit it to me I would certainly give you my personal comments on it.

Senator Hartke. Senator Douglas raised the question of increasing the benefits after the age of 65. Would this not increase costs?

Secretary Rabinoff. Yes; it would, and I think Senator Douglas had a good point. The point I raised with Senator Douglas was the increased costs. I do not know whether you were here when I gave the answer.
Senator Hartke. Yes; I was here, and I just wonder how it fits into this formula when it hits the top?

Secretary Ribicoff. It is a question of balance. I think there is a limit on what society can stand, and I think there is always a line beyond which you would get resistance even from the recipients. Because some social security is good, that does not mean that every conceivable concept of social security is good, I mean, from the overall point of view.

Senator Hartke. That is what I am trying to get down to, specifics, and that is what I am going into, why I am going into just the six areas only.

Secretary Ribicoff. Yes.

Senator Hartke. The other one is, do you believe the coverage today is sufficient? In other words, do you anticipate during the 7 years there possibly would be in the realm of reason an increased coverage?

Secretary Ribicoff. You mean the number of people who should come into it?

Senator Hartke. That is right.

Secretary Ribicoff. Well, you have got almost everybody now except the medical profession, and I would say that it is my belief that a majority of the doctors would like to come in, but again the AMA opposes it. Anything that has to do with social security is anathema to the American Medical Association. But I do not think it reflects the thinking of the individual doctors, many of whom would like such protection.

In some polls that have been taken, there are indications that this is the sentiment of doctors. But the AMA wields a rather heavy hand against it. Then you have other groups under Federal retirement programs.

Senator Hartke. Do you feel the present increase which is proposed to $40 minimum will be sufficient for the next 7-year period?

Secretary Ribicoff. No. We were for $43, and I would say, keeping in mind always the reservation I made to Senator Byrd which is in the record, that as earnings go up, I do believe that you will have the earnings base going up, and out of the savings from the increased base many of the things that you have in mind, Senator Hartke, could be financed.

In other words, I would not object today, because I think it would be fair, to go up to $5,400; and if you went up to $5,400, that would bring in an extra $1 billion, the net effect of which is about the equivalent of a quarter of a percent, and many of the things that I think are good and proper could be done.

Senator Hartke. My distinguished colleague from Utah said so long as the wheels keep on going—I personally feel that not alone are the American wheels going to keep on going, but they are going to go faster and faster and greater and greater. I have no fear of the future, but I am afraid that some of the thinking which is evidence in some of these social security hearings every year has indicated that we reached our zenith 25 years ago, and we are trying to hold the ground where we have been and, frankly, I took with just a little grain of salt the proposal and the agreement that we had of a top limitation here, which I possibly misinterpreted, there would be a top on any amount at $5,400 or at $4,800 basic earning or percentage.
Secretary Ribicoff. No. As our wage rates go up, and if our economy keeps going that way, there may come a time when you go from $5,400 to $6,000. But I think you are going to have a very difficult time having social security taxes or contributions, as you will, above 10 percent, 5 percent on the employee and 5 percent on the employer. This is my personal reaction.

Senator Hartke. Just for the sake of clarification, I did not understand you to say that you understand that social security programs are one of the main tools for the reduction of unemployment, did you?

Secretary Ribicoff. No; I did not accept that at all. I was talking about a specific problem we have, which, in my opinion, justifies doing this. I did not accept that at all.

Senator Hartke. We have the spawning today of new problems of unemployment among our young people very rapidly expanding.

Secretary Ribicoff. This is one of the problems that our Department and the Labor Department will be cooperating on in the days ahead, the training of these young people so they can get jobs.

Senator Hartke. In the testimony which was submitted here yesterday by Mr. Adams from the National Association of Life Underwriters, he made this statement, that although we are sure that the committee will check it further, that such increased social security benefits as these individuals would receive under this bill would tend to be offset, and properly so, by a corresponding reduction in their public assistance benefits.

If this is true, then it is obvious that these individuals would wind up with about the same amount of purchasing power as they now have, and thus would not be in any better position than the present to give impetus to the economic recovery program.

Mr. Ball. Senator Hartke, in the first 12 months, the House bill would result in about $780 million more in benefits. In relation to the point that Mr. Adams is making there, our estimate is that there would be an offset of about $52 million in public assistance, counting both State and Federal funds, and assuming that there is a complete offset in public assistance for every dollar of increased benefits in the insurance program.

Senator Hartke. Let us come back to the basic philosophy, though. Assuming this is true, wouldn't this be a good thing for society?

Secretary Ribicoff. That is correct; there is no question.

Senator Hartke. And remove the cost from the General Treasury and place it on a taxing or contribution system?

Secretary Ribicoff. To me it is an amazing thing how conservative groups, for narrow reasons, make arguments that conservatives should not make. I am rather surprised and shocked that any conservative would be advocating a system of public assistance or welfare as against contributions by the recipient, because I would say the latter is a conservative approach, and the other is certainly anything but conservative.

Senator Hartke. I might say to you, Mr. Secretary, I do plan to introduce this amendment of mine in the committee, which I submitted last year, to remove the earnings limitation which I think is a gross injustice and discrimination against wage earners in favor of those who receive benefits from investments.
I think they should be treated equally, and I see no reason why the law should not be equal to all of them, and I intend to pursue that to the highest possible figure in the event that the Department opposes it any place along the line, so I just thought that I would put you on notice on that.

I also intend to take it to the floor. I will take it there as long as I can. Maybe I cannot last the 7 years, but I will try to last; I can last the 3 years, the next 3 years.

Secretary Rinooff. I think Senator Byrd may be a lot more optimistic than I am myself.

Senator Hartke. I am very optimistic about your 7 years. I have no further questions.

I want to thank you.
The Senator from Nebraska.

Senator Curtis. No; I think not.

I might say, Mr. Secretary, that the history of the social security legislation will indicate that some of us who hoped and aspired to be conservatives have always felt that our aged problem should be solved under title 2 of the Social Security Act rather than old-age assistance, and I was very much interested in your colloquy with Senator Hartke. That is all.

Senator Hartke. I thank you gentlemen for coming and taking so much of your time, but I hope this proved fruitful to you.

Secretary Rinooff. Thank you.

Senator Hartke. Gentlemen, we are now at 20 until 1, and the chairman of the committee is on the floor due to the fact that the calendar is being called on some bills having to do with the Finance Committee.

We have three more witnesses who are scheduled, and I hope we can in good conscience finish these witnesses by 1 o'clock. I hope you will keep this in mind, because if we do not, why, you probably are going to prohibit somebody from submitting his testimony today.

Mr. Cruikshank, AFL-CIO.

Will you please identify the parties with you, Mr. Cruikshank for the purpose of the record, and I would like to say that we are delighted to have you here, inasmuch as you are another authority in the field of social security.

STATEMENT OF NELSON H. CRUIKSHANK, DIRECTOR, DEPARTMENT OF SOCIAL SECURITY, ACCOMPANIED BY MRS. KATHERINE ELICKSON, ASSISTANT DIRECTOR, AND LEONARD LESSER, DIRECTOR OF SOCIAL SECURITY ACTIVITIES, INDUSTRIAL UNION DEPARTMENT, AFL-CIO

Mr. Cruikshank. Thank you, Mr. Chairman. I will try to keep in mind and do my best to keep in mind your injunction about the time. I guess we get hungry, too.

For the record, my name is Nelson H. Cruikshank, and I am director of the Department of Social Security of the American Federation of Labor and CIO, and my office is at the headquarters of the AFL-CIO, at 815 16th Street NW., Washington, D.C.

I am accompanied by Mrs. Katherine Ellickson, assistant director of our department of social security. I was to be accompanied by Mr. Andrew J. Biemiller but who, on account of illness, could not be
here, and another member of his staff had to pinch-hit. He could not be with us, but I am accompanied by Mr. Leonard Lesser, director of social security activities of the Industrial Union Department of the AFL-CIO.

We are representing the AFL-CIO and urge that you recommend the House bill, H.R. 6027, for early enactment.

We appreciate the opportunity to present our views before this committee, and we are glad to cooperate with the committee's desire to keep the hearings short so that this much-needed legislation may be speedily enacted.

Mr. Chairman, if my statement in whole can be inserted in the record—

Senator Hartke. Without objection, the entire statement will be made a part of the record, and you may make some comments as you care to.

Mr. CRUIKSHANK. Yes, sir.
So I will try to summarize briefly the points that we are making here.

First, we were very pleased at the President's message recommending the five liberalizations in the old-age, survivors, and disability insurance, and we felt they were, on analysis, consistent with the objectives of the AFL-CIO as set forth repeatedly in our convention resolutions.

Our last convention which met in 1959 passed a resolution covering many aspects of this, and I should also like to insert the entire text of that resolution in the record at this point.

(The document referred to follows:)

RESOLUTION No. 158.—SOCIAL SECURITY, OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE


As it approaches its 25th anniversary, our basic social insurance program is providing benefits to an ever-larger number of people and conforming to sound financial principles. Old-age, survivors, and disability benefits now go each month to nearly 18 million people, and most Americans are contributing regularly so that they may have this form of social insurance.

The improvement most urgently needed today is the addition of payment for selected health costs of the aged and other beneficiaries, as proposed in the Forand bill, H.R. 4700. It would assist them to get good health care without using up their savings or undergoing a means test.

Commercial insurance is unavailable to most older people, is very expensive, and limited in extent. Blue Cross and Blue Shield can be of use to only a small fraction of our older citizens.

The proposed addition of Federal health benefits to the old-age, survivors, and disability insurance system is entirely practical. It would not only save millions of families from anxiety, financial bankruptcy, and needless suffering, but it would also relieve the financial difficulties now threatening many hospitals and welfare agencies, both private and public.

The proposals for Federal health benefits made by the Forand bill have now been the subject of special study of the Department of Health, Education, and Welfare. Although the Eisenhower administration testified against such benefits, the Secretary of Health, Education, and Welfare in no way suggested that they could not be administered effectively.

Support for such benefits was presented to the Ways and Means Committee by important professional groups as well as labor and farm organizations. Nevertheless the American Medical Association continues to oppose the bill bitterly exaggerating its cost, distorting its effects, and denying its necessity. These
are the same arguments that were used in 1956 against disability benefits and that have since been exploded by actual experience.

In spite of the substantial benefit increases included in the 1958 amendments to the Social Security Act, present benefits are still inadequate. For low-income groups, they are pitifully small; for persons with high incomes, amounts are far below earnings. Many people still find themselves denied payments because of the law's exclusions or because of overstrict administration of disability provisions. Therefore be it

Resolved, That we again call for continued development of the old-age survivors, and disability insurance system to provide more adequate benefits, to cover more people, especially those not under any form of social insurance, and to give protection against short-term as well as long-term disability.

We urge the House of Representatives to move swiftly to add Federal health benefits for OASDI beneficiaries so that the Senate likewise will have time to approve this essential program in 1960. The Forand bill, H.R. 4700, provides a constructive basis through which the OASDI trust funds and contributions can be used to pay the costs of hospitalization and related types of health care for the aged and other beneficiaries. Through encouraging prompt preventive treatment, good quality of care, and speedy rehabilitation, a new program along these lines can remove one of the most serious causes of insecurity and suffering among our aged citizens and at the same time encourage constructive developments in health care.

We urge Congress likewise to enact other essential amendments to the Social Security Act so as to achieve benefit adequacy and comprehensive protection. We call attention especially to amendments previously endorsed by organized labor, such as raising the earnings ceiling in line with rising wage levels, authorizing the dropout of additional years so that benefits are computed on the average of not more than 5 years of highest earnings, paying disability benefits before age 50, permitting women to receive regular benefits at age 60, and increasing the primary benefit for each year of continued employment past 65.

We reaffirm our previous position that men under age 65 who cannot work or cannot find steady employment should be protected through more liberal provisions in regard to disability insurance and through extended unemployment benefits. Such measures are sounder than reduction of the retirement age for all men to 60, which would be a great expense to the trust fund.

We urge persons who are supporting repeal of the retirement test, instead to join us in seeking amendments that will add health benefits and raise monthly amounts for the great majority of the aged who are unable to earn more than the $1,200 a year now permitted.

We welcome the recent report of the Advisory Council on Financing upholding the soundness of the financial basis of the system. We support continuation of the policy of providing adequate contributions to support the system, knowing that social insurance is the most economical and fairest approach to providing payments as a matter of right to replace lost earnings.

Mr. CRUIKSHANK. I do not know whether the reporter has a copy, but it is right there, sir, a copy of the resolution.

Senator HARTKE. It will be inserted in the record.

Mr. CRUIKSHANK. I do not believe it is attached, but if it is not, here is the full text.

Now, we realize it has been nearly 2 years since this convention action, and there are a number of changes in the situation that have occurred. We are glad that one of our major recommendations, namely, the removal of the age 50 for disability benefits, was adopted by Congress so that part of the resolution is obsolete.

The testimony also calls attention to the February 23, 1961, action of the executive council of the AFL-CIO, which ran specifically to the President's recommendations.

They point out, too, in this statement, they point out two of the provisions which they felt merited special support, namely, the increase of the widow's benefit from 75 to 85 percent of her husband's benefit, and the proposal to pay benefits for extended disability after 6 months.

Now, we feel that while there are signs of our pulling out of this recession, that speedy action is needed. We are taking the position we
are with respect to this particular proposal largely on the basis that it was presented by the President, that it is geared to the present emergency.

There are many provisions of social security we would like to consider and have this committee consider at the appropriate time. We are willing to postpone those and support the present bill in the form the House passed it because we feel that while it does not meet all of our objectives, there is nothing basically wrong with it, and it will be a long way toward meeting very urgent needs.

This is especially true with respect to the widow's benefits. The increase from 75 to 82½ percent, while it does not go as far as the President's recommendation is important.

We would hope that the whole amount originally requested might be restored, that we go to the full 85 percent.

Now, in our testimony we point out that we are not at this time calling for improvements beyond those of the emergency nature, but we have submitted a number of considerations, a number of them, incidentally, running right to the points which you have been discussing with the previous witnesses, the Secretary of Health, Education, and Welfare, and we are not calling for action on those points now, but we do emphasize here the fact that the Congress has been very wise in never taking in the history of social security legislation actions as if they were in a vacuum.

They may be emergency action such as that one now proposed, but Congress is wise in considering even emergency actions in the light of their long-run bearing on the welfare of the beneficiaries, both present and future contemplated beneficiaries and their effect on the soundness of the system.

The reason why, for example, we feel it is simply not wise to pay those benefits out of the reserve fund which could be done, but the financing provisions are put even in emergency action of this kind so that the actuarial soundness of the system is maintained with respect to emergency action.

Now, there was much discussion here, and we deal with it at some length, and we hope the committee will in their considerations of this measure, and take that into full account. We make a fairly long discussion of the bearing of the $4,800 wage base ceiling and its effect on the long-run aspects the system.

We show how this rather artificial ceiling—it is artificial now, and rather arbitrary—it is hard to find any rationale at the time, at the present time, for setting a $4,800 increase, but this artificial ceiling, an arbitrary ceiling, on the wage base on which both income and benefits are based, has a bearing upon the wage related nature of our system, and table I on top of page 4 shows that after the $400 top increase or the $400 earnings level, the benefits are frozen at that level, so that the relationship of the benefits to earnings falls off sharply after that, and we point out also how the House bill would increase benefits at the lowest end of the scale to 80 percent without improving the other ratios, and we are simply calling attention of the committee and the Congress to the fact that this does have a significant bearing on the long-run operation of the system.

We are also commenting on this last point that was discussed, that the raising of the minimum benefit, if it is designed really to help poor people rather than to relieve the burden of other taxpayers, the public.
assistance program should be strengthened in a manner that will assure actually and, in fact, more adequate standards for persons who must turn to it as a last resort.

We comment further, beginning at the bottom of page 4 of our typed statement, on the earnings base ceiling, and show how it has lagged behind the rise in wages that has taken place over the period in which the system has been in effect.

Table 2, for example, shows the proportion of wages in covered employment that is not now taxed because of this arbitrary limit, and you will notice that it begins to increase sharply there with 1955 when the earnings base, in effect, was $4,200, and only 50 percent or as much as 50 percent, compared to less than six percent of wages that were not taxed when the system began, and that it has risen fairly steadily except for a dip in 1959 when the base was increased to $4,800, to now 59 percent, close to four-fifths, close to three-fifths of the wages in covered employment, not being taxed, and are not used then as a basis of benefit computation either.

So we conclude that this earnings base is really outdated, and we trust that while we are not calling for a change in it at this time important as it is, let us get this emergency legislation through and get these benefits out to the people as a part of helping to increase purchasing power to help lift us out of the recession.

Table 3, we think, is a very important presentation of the important fact as it sets forth the percentage of total earnings in covered work in excess of the earnings base, and, therefore, not taxable.

It runs to the same point that table 2 does, that illustrates in another facet and another way.

When we started we taxed practically all earnings. We were just really exempting those at the very top. Now we are not taxing the more significant portions of the earnings, so that I say the $4,800 increase now has a historical basis, but it does not really have a rational basis at the present time.

We cite the fact that criticisms have been made that the social security tax is regressive because the wage base ceiling exempts part of the earnings of the better-paid people.

Well now, to the extent that that is true, it can be corrected not by departing from the social insurance principle but by lifting the arbitrary ceiling and moving it up to removing these limits, and as the Advisory Council on Social Insurance Financing reported in 1959, the statutory council that reviewed this, made up of businessmen, labor people, and fiscal experts, pointed out, there is an element of progressivity in the social security tax, and that element of progressivity is improved and enhanced every time you raise the wage-base ceiling.

So the argument against the regressive nature, so-called, of the social security tax is one that can readily be corrected.

We talk about the timing of the contribution increase. In the President's message he recommended that the tax increase become effective in 1963 rather than 1962.

Now, we would hope that this could be restored, and we feel that as long as specific provisions for raising the necessary revenues are included in the bill, such a postponement would represent no departure from the congressional precedents as to assuring the actuarial soundness of the system.
That is, to be sound it does not have to go into effect just this year. We have from the very beginning had a scale of contribution rates, tax rates, that are stepped in a matter of time, and as long as the actuarial balance is maintained it is not necessary to put in those tax increases as of this year.

We believe that geared to emergency legislation of this kind, that it was appropriate not only to get out an immediate payment of benefits but also to postpone the increased tax.

So we think it would be consistent with the objectives of the entire measure to restore that provision.

Now, in conclusion we just note that the hearings are now set in the House for the addtion of health benefits for the aged and, as Secretary Ribicoff said, any of these provisions have to be considered in terms of all of the necessary provisions that are so badly needed, and we only wish to point out from our point of view these are the most urgent and necessary changes in social security, and we are supporting this proposed measure now, but taking fully into account the fact that we are also urging the addition of health care protection for older people under the social security system, and we hope to be back here at a later date to urge and to present our reasons for the support of that legislation.

That sir, is a brief summary of the statement which I would hope your committee will have time to study in more detail.

Senator Hartke. Thank you, Mr. Cruikshank. I have no questions. I want to thank you for coming. We will be delighted by your coming in.

Mr. Cruikshank. Thank you.

(The prepared statement of Mr. Cruikshank follows:)

**STATEMENT OF NELSON H. CRUIKSHANK, DIRECTOR, DEPARTMENT OF SOCIAL SECURITY, AFL-CIO, IN SUPPORT OF H.R. 6027 PROVIDING IMPROVEMENTS IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE**

My name is Nelson H. Cruikshank and I am director of the Department of Social Security of the American Federation of Labor and Congress of Industrial Organizations. My office is at the headquarters of the AFL-CIO, 815 16th Street NW., Washington, D.C.

I am accompanied by Mrs. Katherine Ellickson, assistant director of our Department of Social Security; Mr. Andrew J. Blumiller, director of the AFL-CIO Legislative Department; and Mr. Leonard Lesser, director of Social Security Activities of the Industrial Union Department of the AFL-CIO.

We are representing the AFL-CIO to urge that you recommend the House bill, H.R. 6027, for early enactment. We appreciate the opportunity to present our views before this committee, and we are glad to cooperate with the committee's desire to keep the hearings short so that this much-needed legislation may be speedily enacted.

**AFL-CIO OBJECTIVES**

The AFL-CIO welcomed President Kennedy's message of February 2 recommending five liberalizations in old-age, survivors, and disability insurance, to become effective April 1, as a way of meeting pressing social needs and providing an urgently needed stimulus to the economy. The President's proposals were consistent with the objectives of the AFL-CIO as set forth repeatedly in convention resolutions. Our last convention, in 1959, again called for continued development of the old-age, survivors, and disability insurance system to provide more adequate benefits, to cover more people, especially those not under any form of social insurance, and to give protection against short-term as well as long-term disability.

For the information of the committee, I would like to have the full text of our 1959 resolution on old-age, survivors, and disability insurance included in the record at the conclusion of my statement.
SOCIAL SECURITY BENEFITS

It has been nearly 2 years since that convention action, and certain changes in the legislation situation have, of course, occurred. We are gratified that our objective of removing the limitation of the disability program to age 50 has been attained.

The AFL-CIO Executive Council, which acts between conventions on policy issues, last February 23 commented on the President's proposals, incorporated in his economic program. The council stated:

"Of the President’s proposed changes in the OASDI system, two especially merit support both for humanitarian reasons and to add to the purchasing power of the Nation. The increase in the amount of the widow’s benefit from 75 percent to 85 percent of her husband’s benefit would bring immediate, substantial aid to nearly 1.5 million individuals for whom the social security system and private pension plans are especially inadequate.

"The proposal to pay benefits for extended disability after 6 months rather than on the basis of the present very stringent definitions of disability would make the program less complicated in administration as well as extending benefits to some 85,000 of the disabled and their dependents.

"We believe, further, that the present $74 per month average retirement benefit is grossly inadequate and that not only the minimum but the general level of benefits should now be raised both to provide more adequately for the needs of retired workers and to make a larger contribution to the purchasing power needed for recovery. Increases in benefits can be financed in large part by raising the ceiling on taxable wages above the present $4,800.

"Furthermore, we urge these long overdue benefit improvements not be permitted to delay early action to meet the imperative need for medical care for the aged under the social security system."

Despite signs of mild economic improvement, speedy action along the lines recommended by the President and endorsed by our executive council is still urgent. Roughly 7.7 million more jobs are needed just to reduce unemployment to a 4-percent rate by the end of this year. No prospects for job-creating economic activity of this magnitude are in sight.

Because of the urgency of the need and because the objectives of the House-passed bill (H.R. 6027) are consistent with those supported by the AFL-CIO, we urge the speedy enactment of this measure. There are, you will note, a number of more basic and far-reaching improvements in the social security program which the resolution passed by our convention calls for. This resolution, however, was not geared to the specific and limited needs of a recession period. It is for this reason that we urge now the adoption of the more limited improvements provided in H.R. 6027 and agree to the postponement of consideration of the more far-reaching proposals which we and others support.

WIDOW’S BENEFIT

The increase in the amount of the widow’s benefit from 75 percent to 82¼ percent would be of immediate advantage to more than 1½ million aged women. As of December 31, 1960, the average widow’s benefit was not quite $58 a month. Thirteen percent of the widows received only $33 or under, and 20 percent received less than $40 a month. Moreover, relatively few private pension plans make anything like adequate provision for widows, and many have none at all. We would prefer that widows be paid 100 percent of the primary benefit amount, but we realize that your committee is not considering improvements of this magnitude at the present time.

While, as I have indicated above, we are not at this time calling for improvements beyond those of an emergency nature which are contained in the House bill, we deem it appropriate to comment on the bearing these improvements have on the long-run fiscal soundness and adequacy of the social security system. The history of social security legislation in the past emphasizes the wisdom of Congress making specific changes in the light of long-term considerations.
BENEFIT MINIMUM RELATED TO HIGHER BENEFITS

We believe, for example, your consideration of the minimum should include attention to the present earnings ceiling of $4,800 as it affects both benefits and contributions. When the minimum alone is raised, without other improvements in cash benefit amounts, it represents a further departure from a directly wage-related benefit structure. We do not object to having the benefit formula and the minimum benefit allow low-income people to receive a relatively higher percentage of their covered earnings than is payable to persons with higher earnings. Social insurance differs from commercial insurance precisely in this important concept of relating payments to the presumptive need of broad categories of individuals.

But there is a point at which a question does arise as to the effect on the system of substantially lifting the floor without at the same time raising the ceiling which is preventing many higher paid workers, including many of our members, from realizing the security which they seek.

At the present time the person whose average monthly wage is $50 has 66 percent of that amount paid as a benefit. The person with $100 of average monthly earnings receives 69 percent. But the person with $300 receives only 35 percent and the person with $500 only 25 percent. Further details appear in Table 1.

### Table 1—Illustrative benefit amounts as percent of average monthly earnings

<table>
<thead>
<tr>
<th>Earnings</th>
<th>Primary benefit amount</th>
<th>Benefit as percent of earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100</td>
<td>$69</td>
<td>66.0</td>
</tr>
<tr>
<td>$200</td>
<td>$74</td>
<td>37.0</td>
</tr>
<tr>
<td>$300</td>
<td>$68</td>
<td>22.8</td>
</tr>
<tr>
<td>$400</td>
<td>$108</td>
<td>27.0</td>
</tr>
<tr>
<td>$500</td>
<td>$177</td>
<td>35.4</td>
</tr>
<tr>
<td>$600</td>
<td>$177</td>
<td>29.1</td>
</tr>
<tr>
<td>$700</td>
<td>$177</td>
<td>16.1</td>
</tr>
<tr>
<td>$800</td>
<td>$177</td>
<td>13.9</td>
</tr>
</tbody>
</table>

The House bill would increase benefits at the lowest end of the scale to 80 percent without improving the other ratios.

Because benefit amounts have been so low, the large proportion of the persons now receiving the minimum benefit are having to supplement it with public assistance. An increase in their OASDI benefit amounts will not be reflected in more adequate levels of living since under the public assistance rules, their monthly public assistance payments will be reduced accordingly. The effect of a higher minimum benefit in such cases is merely to shift part of the social cost from general revenues to the OASDI trust funds.

If the result is to really help poor people rather than to relieve the burden of other taxpayers, the public assistance program should be strengthened in a manner that will assure more adequate standards for persons who must turn to it as a last resort. Another theoretical possibility would be to attempt to assure that the increase in the minimum benefit is not offset by lower public assistance payments, but this approach has not been judged practical in connection with past proposals of a similar nature.

### THE EARNINGS BASE CEILING

The level of the ceiling on earnings (the wage base ceiling) is lagging badly behind earnings levels. For more than half of regularly employed men, this means a loss of wage credits that could be counted toward higher benefits. In 1938, 94 percent of all regularly employed men in the system received credit for all their earnings even though the ceiling was then $3,000. The equivalent figure for 1960 was 48 percent and in 1961 it is estimated to be 41 percent (Table 2).
Table 2—Relationship of earnings base to total annual earnings of regularly employed men, selected years, 1938-61

<table>
<thead>
<tr>
<th>Year</th>
<th>Earnings base in effect</th>
<th>Percent of regularly employed men with total annual earnings in excess of earnings base</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938</td>
<td>$3,000</td>
<td>8.9</td>
</tr>
<tr>
<td>1943</td>
<td>3,000</td>
<td>20.7</td>
</tr>
<tr>
<td>1947</td>
<td>3,000</td>
<td>40.8</td>
</tr>
<tr>
<td>1951</td>
<td>3,600</td>
<td>47.5</td>
</tr>
<tr>
<td>1956</td>
<td>4,200</td>
<td>10.4</td>
</tr>
<tr>
<td>1958</td>
<td>4,200</td>
<td>87.0</td>
</tr>
<tr>
<td>1959</td>
<td>4,400</td>
<td>60.0</td>
</tr>
<tr>
<td>1960</td>
<td>4,800</td>
<td>62.0</td>
</tr>
<tr>
<td>1961</td>
<td>4,800</td>
<td>69.0</td>
</tr>
</tbody>
</table>

1 Wages of male 4-quarter civilian wage and salary workers in covered employment including earnings in excess of earnings base.

Note.—If an earnings base of $6,000 had been in effect in 1959, an estimated 30 percent of regularly employed men would have had total annual earnings in excess of $6,000.

The outdated earnings ceiling means a large loss of revenue to the trust funds. In 1938, only 7 percent of total civilian wages and salaries in covered work were not taxable for OASDI purposes. In 1961, it is estimated that the proportion not taxed will be about 22 percent. For all earnings, the estimate is 25 percent. Thus, the proportion of total covered earnings not taxed is higher than ever before. (Table 3.)

Table 3.—Percent of total earnings in covered work in excess of earnings base and therefore not taxable, 1938-61

<table>
<thead>
<tr>
<th>Year</th>
<th>Earnings base</th>
<th>Civilian wages and salaries only</th>
<th>All earnings 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938</td>
<td>$3,000</td>
<td>7.0</td>
<td></td>
</tr>
<tr>
<td>1939</td>
<td>3,000</td>
<td>7.7</td>
<td></td>
</tr>
<tr>
<td>1940</td>
<td>3,000</td>
<td>7.6</td>
<td></td>
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<tr>
<td>1941</td>
<td>3,000</td>
<td>8.0</td>
<td></td>
</tr>
<tr>
<td>1942</td>
<td>3,000</td>
<td>9.1</td>
<td></td>
</tr>
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<td>1943</td>
<td>3,000</td>
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<tr>
<td>1944</td>
<td>3,000</td>
<td>12.0</td>
<td></td>
</tr>
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<td>1945</td>
<td>3,000</td>
<td>12.3</td>
<td></td>
</tr>
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<td>1946</td>
<td>3,000</td>
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<td>3,000</td>
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<td>1951</td>
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<tr>
<td>1963</td>
<td>4,800</td>
<td>21.9</td>
<td></td>
</tr>
</tbody>
</table>

1 Identical with civilian wages and salaries through 1950; includes earnings after 1950 in covered self-employment; includes base pay after 1955 of members of Armed Forces.

In 1959, total taxable payrolls in covered civilian wage and salary employment were $138 billion. Payrolls above the $4,800 ceiling amounted to $43 billion. If the ceiling had been raised to the 6-percent rate, the trust funds would have had an additional income of more than $234 billion.

In the Senate last year it was argued that the social security tax was regressive because the wage base ceiling exempts part of the earnings of better paid people. If the ceiling were removed entirely, the basis for the charge would be eliminated.
The higher that ceiling, the less validity there is to such a criticism and the less need for a heavy tax on low-income groups. The current schedule of contribution rates would, in fact, be lower if the ceiling had been increased as we requested earlier.

In summary, a higher earnings ceiling would strengthen the wage-related features of the system, permit more reasonable benefits to persons at higher earnings levels, and permit a reduction in contribution rates.

TIMING OF CONTRIBUTION INCREASE

The President wisely recommended that the tax increase become effective in 1963, rather than 1962, as a means of helping to stimulate consumer purchasing power and rapid expansion of economic activity. The House changed the date to 1962. In view of the continuing high level of unemployment and the serious gap between our economic potentialities and actual levels of production, we recommend that your committee give consideration to postponing the collection of the additional revenues until 1963.

As long as specific provisions for raising necessary revenues are included in the bill, such a postponement would represent no departure from congressional precedents as to assuring the actuarial soundness of the system. A later step-up in contribution rates has been part of the system since its inception.

The sooner the improvements in OASDI which are contained in H.R. 6027 are enacted, the speedier the flow of increased purchasing power into the hands of persons who need the money and will spend it. We therefore urge early and favorable action on the measure now before you.

HEALTH BENEFITS FOR THE AGED

We are glad hearings are now scheduled in the House on the addition of health benefits for the aged to the social security system, and we anticipate that similar hearings will be held by your committee so we will have a chance later this year to present our views on this all-important legislative proposal.


STATEMENT OF E. RUSSELL BARTLEY, DIRECTOR OF INDUSTRIAL RELATIONS, ILLINOIS MANUFACTURERS’ ASSOCIATION

Mr. Bartley. Thank you. Mr. Chairman and members of the committee, my name is E. Russell Bartley. I am director of industrial relations for the Illinois Manufacturers’ Association, Chicago, Ill., and I am appearing here on behalf of the members of that association.

The Illinois Manufacturers’ Association embraces in its membership of 5,000 industrial firms practically every representative manufacturing firm in Illinois—large, small and medium sized—engaged in a wide variety of production.

We have carefully considered and are vitally concerned about the proposed amendments to the Social Security Act, as embodied in H.R. 6027. The IMA is concerned primarily with the serious implications of those changes relating to the reduction in the benefit eligibility age for men from 65 to 62, the increase in the OASDI tax rate on both employee and employer, the liberalization of the insured status requirements, and the increase in the widow’s, widower’s and parent’s benefits.

LOWERING THE AGE REQUIREMENT FOR MEN

We are not in accord with the proposal that the age requirement for the payment of monthly benefits to men who are insured workers be reduced from 65 to 62 years of age.
Social security is primarily a program to pay benefits to the aged when they can no longer support themselves by working. The proposal for lowering the age for men is apparently intended to induce men as well as women to retire early. Advances in medical science have enabled men and women to live and work longer.

This proposal runs counter to the increasing life expectancy of American workers. Premature retirement is not in the best interests of the people concerned and this is not the time to induce individuals to retire early.

When I appeared before this committee in February 1950, I made the following statement, speaking in opposition to reducing the eligibility age for women from 65 to 62.

We believe that this provision would soon be followed by demands to reduce the age requirement for men to 62 years and eventually for a further reduction from 62 to 60.

The first part of this prediction has now come true. If the eligibility age for men is reduced to 62, we can anticipate that in a short time, there will be demands for lowering the eligibility age for women to 60 years. The same arguments used in 1956 would be used; namely:

Wives are generally a few years younger than their husbands; it is more difficult for older women to find jobs than it is for men; and many widows have never worked or have not had recent work experience.

Then in a few years the downward spiral would be continued and an eligibility age for men of 60 years would be proposed and so on.

Concerted efforts are being made to encourage the employment of older persons. At the White House Conference on Aging which was held in Washington in January 1961 and the State and regional conferences which were held in 1960, it was emphasized that employment of older persons is important for their self-support, independence, healthful living, and self-respect.

State legislatures have been concerned with legislation condemning age discrimination in hiring. For example, the Illinois General Assembly created a Commission on the Aging and Aged to study the problem and to recommend legislation. This commission has made several recommendations, which included (1) the encouragement of employment of older workers on the basis of merit rather than on the basis of age; (2) encouragement of business and industry to set aside certain kinds of jobs which can readily be performed by older workers and urging employers to employ such older workers; (3) elimination of compulsory retirement ages in private industry and government, and (4) establishment of flexible retirement plans based upon the ability and desire of the older worker to remain employed. IMA supports these recommendations.

The U.S. Department of Labor and the departments of labor and public employment services of the various States and other agencies have established extensive, coordinated programs designed to encourage and give leadership to assisting older workers to find jobs. Yet, you are considering legislation which would discourage the employment of older persons and encourage their early retirement. It is difficult to justify having some Government agencies working to encourage the hiring of older people while at the same time another Federal agency is urging legislation which would have the effect of promoting early retirement and discourage hiring of older persons.
This proposal would make it more difficult than ever for men aged 62 and over to find and keep jobs. Some employers might use the earlier retirement age as an excuse for retiring men earlier, even though they might be in good physical condition, and have a desire or need to continue working. It would result in discrimination against men who are seeking employment and result in unemployment among older men, whether or not they are eligible for pensions.

Employers who have retirement programs for their employees would have to reduce the eligibility for pensions to age 62. This has been true in the case of women since the eligibility age was reduced to 62. This would increase the cost of private pension plans and would tend to curtail the adoption and extension of such plans.

The proponents of H.R. 6027 argue that the retirement age of 62 for men should be adopted in order to provide payments to men who are unemployed and who find it difficult to find jobs. This is a new angle which has no place in the OASDI program. The unemployment compensation programs of the various States provide benefit payments for unemployed workers of all ages. OASDI should not be confused with unemployment compensation. They are two separate and distinct programs and should be kept that way. OASDI should not be used for pump priming as a cure for a temporary business recession.

A new definition of when men become old would inevitably affect old-age assistance programs of the States and the Federal Government, and could result in unanticipated cost increases and less adequate payments to those in need.

INCREASE IN WIDOW'S, WIDOWER'S, AND PARENT'S BENEFITS

H.R. 6027 would increase aged widow's, widower's, and parent's benefits from 75 to 82½ percent of the workers' retirement benefit—a 10 percent increase in benefits for these people.

This proposal would create inequities in the amount of benefits paid to widows as compared to the benefits to which retired working women are entitled. Under the present provisions of the law, many women in the latter group did not earn sufficient wages to entitle them to benefits in an amount equal to those received by widows. The proposal under consideration would widen this inequity. This proposal is one of the most costly provisions in H.R. 6027 and it is not justified.

CHANGE IN THE INSURED STATUS REQUIREMENTS

This bill would liberalize the insured status requirements so that a worker would be fully insured if he has one quarter of coverage for each year elapsing after 1950 (or after the year in which he attained age 21, if that was later) and up to the year of disability, death, or attainment of age 65 for men (62 for women). Under present law one quarter of coverage is required for every three elapsed calendar quarters.

In 1960 this provision in the Social Security Act was changed from one quarter of coverage for each two elapsed quarters after 1950, to one covered quarter for each three such elapsed quarters. This change only took effect on October 1, 1960, and there is no logical reason to change it again. H.R. 6027 proposes to reduce the eli-
bility requirement by one-half within a period of a few months. This is unfair to those who have been paying social security taxes since the inception of the program in 1937. Benefits are now being paid to persons who paid a very small amount in taxes.

A man who is 65 years of age and who has worked in covered employment during a total of only 6 calendar quarters and has earned as low as $50 per quarter or total earnings of $300, can at present qualify for benefits of $33 per month for the rest of his life. If his wife is 65 their total benefits are $49.50 per month. If they live until age 85, they can draw a total of $11,880. If they live until age 85, they can draw a total of $11,880. If they live until age 85, they can draw a total of $11,880. They certainly is unsound.

WOULD GREATLY INCREASE COSTS

Now let us consider the ever-increasing costs of the OASDI program. The Congress cannot grant these additional benefits to recipients without extracting the funds to pay for them from other citizens. Each move to make benefits bigger or easier to obtain brings the Congress face to face with the need to make the social security tax still higher.

Repeated increases and extensions in benefits could very well endanger the whole social security program by adding additional costs which might jeopardize the availability of benefits in future years for those who are really in need and who have been paying into the fund for many years. People are now wondering whether there will be any money left for them by the time they retire. The whole history of social security has been to make it more and more liberal and more expensive.

As the law now stands, the tax on both employee and employer is 3 percent, or a total of 6 percent. It goes up to 7 percent in 1963 and finally to 9 percent in 1969. H.R. 6027 would raise the tax to 6¼ percent next year and finally to 9¼ percent in 1960. That is not the end. If the practice of liberalizing the law is continued, the tax will continue to increase until it will be unbearable.

I have a quotation which Secretary Ribicoff gave on "Meet the Press" program, and he has confirmed this opinion here this morning that we are reaching the maximum which we can charge in social security taxes.

Many Members of Congress desire, I understand, to reduce the income tax for the lower-income groups. Actually the social security tax paid by many people is much higher than their income tax. In fact, in certain family classifications there is no income tax liability, but the social security tax is as high as $144 per year. The social security tax is levied on gross pay up to $4,800 per year, without the deductions or exemptions such as are allowed in computing the income tax. Increasing the social security tax for these same people is paradoxical. The way the pension costs are rising, the social security tax
threatens to become the No. 1 tax problem for many millions of people. It will edge the income tax off the center of the stage. The ultimate burden of OASDI costs might exceed the willingness of future generations of American people to support them.

The old-age insurance system is not insurance. It is an actuarially unsound system of Federal grants. Insurance is based upon premiums which bear a direct relation to the benefits accrued. The social security tax bears no relation to benefits. No one pays enough into the social security till to provide the benefits he is promised by law. His employer's tax payments, added to his own, are not sufficient. The proposed amendments would put the system on an even more unsound basis than it is now.

The social security law was enacted in 1935, and has been amended every 2 years since 1950. Now further drastic changes are under consideration only a few months since the 1960 amendments became effective. There is no need for sweeping changes in the law every 2 years, and they are now getting more frequent. We believe that the situation is getting out of hand. We are alarmed when we envision the end product of these intermittent and piecemeal changes. The insidious growth and extension by little steps on many different fronts and further pyramid ing of the costs must be stopped, or it will pose a serious threat to both the Nation's economy and the morale of the people.

The Illinois Manufacturers' Association believes that the changes in the Social Security Act which are proposed in H.R. 6027 are unsound and undesirable. We respectfully submit that H.R. 6027 should be rejected by this committee and by the Congress.

Thank you.
Senator Hartke. Thank you, sir.
Dr. Russell Egner. Good afternoon, sir.
I will say to you that I am now intruding upon a 1 o'clock engagement that I have so I would appreciate as much brevity as we can have, sir.

STATEMENT OF RUSSELL FORREST EGNER, SILVER SPRING, MD.

Mr. Egner. I was going to address the Chair as the honorable and patient chairman.
Senator Hartke. Maybe I am not so patient.
Mr. Egner. I shall be as brief as possible.
In my opening remarks, which are not on my address, may I say that I represent myself, and the people, although they do not know it at this time. I am a doctor of philosophy and not a medical doctor. I think, perhaps, that should be clarified.
This newly proposed legislation on social security is wholly inadequate in many ways.
On pages 2 and 3 of the proposed H.R. 6027, reference is made to sections 102, 202, and 216, which have to do with reducing the age limits with reduced benefits. Men may start to receive reduced benefits at the age of 62. Living costs have increased in the past years, and will probably remain at the same levels; therefore, people need more benefits, not less.
It also appears that the span age of man is being increased because of improvements in medical and other sciences to mankind. We live
longer than in the past, and have reason to feel that the span age will be increased rather than lowered. We remain younger longer; but, irrespective of this progress, this legislation proposes retirement at 62 instead of 65. The proposed amendments want to make us older sooner. Why? The motive behind this legislation is hardly for the benefit of the older people, but is designed to make jobs for the young people. Now, we do want all of our young people employed, but not at the expense of the older people and by hoping that those retired at 62 can live on $100 a month in this day and age.

This legislation is to make people older much sooner, rather than younger, as is the case in an advancing civilization. We all know too well the familiar saying, “Smart too late and old too quick.” If we are a leading and best society, we will reverse the old slogan and become “Smart more quickly and later old.”

The people are not going to be fooled with these proposed solutions to our needs; I do not believe our society is on the rocks and receding backward, making it impossible to provide for old age. Congressmen do not appear to want to retire at 62. I find that they stay in Congress up to the seventies, the eighties, and even the nineties. We need the wisdom and experience of the men and women over 62, both in the Congress and throughout the Nation.

The proposed amendments for widows, on pages 20 to 24, dealing with sections 104 and 202, will raise the benefits for widows. The allowance is a pittance, however, and does not adequately provide for them. When the breadwinner is taken away and incomes discontinue for the wife and family, there is no justification for cutting the benefits for the widow. She should receive at least as much as both have coming, or the full benefits.

The following incident, of which there are many, recently came to my attention. I talked with a widow at one of the many Social Security offices; she said she was in turmoil. Her husband, over 65, passed away; they had been receiving approximately $140 per month in benefits. "Now," she said, "I am alone, and will receive only around $85 per month; I cannot live on that amount."

She continued to explain that, if she went to work and earned over $100 per month, she would lose her social security benefits. She said: "I cannot work and cannot live on the social security." This is a pitiful and shameful condition the people face; there is no excuse or alibi our Government can make to cover up the inadequacy of this system.

The question about the rate of tax, which appears on pages 26 and 27 and relates to sections 3101 and 3111, enters into the problem, we are told. It will be observed that the tax rate to both employer and employee will be 3% percent each, or a total of 7 1/2 percent during 1963 and 1965, and 4 1/2 percent each or 9 1/4 percent, by 1969; still the restrictions to those already paying remain the same.

It is appalling to find out at the age of 65 that one cannot earn over $100 per month or $25 per week without losing social security benefits. Few of the 75 million people who are paying for old-age benefits know what is in store for them when they reach 65, to say no more about 62. I have talked to a sufficient number of the 17 million people who are over 65 to know that they are rightfully disgruntled and unhappy about their benefits. Public sentiment in this wealthiest country in the world will not remain quiet about the evasive system in operation.
Times have changed since the inception of the social security system back in 1935. A primary motive which prompted the inauguration, we are told, was faulty in the first place; we can all know that an objective was to retire older people to make new jobs for the younger unemployed. In a small way, the system sought to prevent starvation of some unfortunate people.

The Government employees and some fortunate industrial workers pay from 6 to 7 percent of their earnings toward retirement, but will receive one-half of their per year income upon retirement, without any restrictions about earning what they can after 65. The Congressmen have a similar protective system.

The social security system will be exacting from 7½ to 9½ percent; still the people receive less than half of what they earned per year. My emphasis is not upon the amount they will receive, but the fact that they are unjustly limited in earning over $100 per month or lose their benefits. This provision represents unwarranted regimentation, and needs to be removed.

Our Nation can afford to take care of old age in a dignified manner without additional taxes. It is time we take care of our needs, and stop our infamous militarism through the world. If, after our people are properly taken care of in old age, we do give attention to the needs of backward nations by helping to raise their economic standards, we will be honored for so doing. We will then be respected for what we preach as a leading nation in the world.

Yes; we have billions for war and handout purposes, but nothing for our older people. A few billions of our high-tax money should apply to support old age. Our Government assumes some responsibility for this necessity.

Not many people who reach the age of 65 have laid away enough money for incomes which, together with social security, will enable them to live respectfully. They are not now permitted to stay in business and earn over $100 per month and benefit by what they have paid for anticipated social security.

The incentives of our young people are not stifled because of old-age security. Those people who want more than can be had after 65 will forge ahead in their younger years. There is plenty of room for the ambitious who want to rise, as many will do. The 80- and 90-percent tax structure is the greatest deterrent for young people to get into the million-dollar class.

The old people in the richest country in the world for the rich should not be throttled down to live in poverty, or made to look for sidewalks to repair. The people, upon realizing the deplorable situation, will respond vigorously to have just representation; I trust that this mild appeal will be recognized in action.

It is my recommendation that the following amendments be made to the proposed legislation:

(1) Leave the age limit at 65.

(2) Give the widows the full amount of benefits after their husbands are deceased.

(3) Provide social security for those over 65 who are not covered.

(4) Eliminate the evil restrictions which limit the earnings after 65 years of age.
In closing, I wish to repeat my favorite statement applying to any great civilization:

The world institutions always face the duty of taking care of the aged, of developing young people to earn a living, and of preparing them through education to participate in our world federation in a manner which will provide maximum satisfaction for themselves and society.

Senator HARTKE. I want to thank you for that fine statement, Doctor.

Mr. Eoner. Thank you.

Senator HARTKE. The hearings on this measure will now be closed, subject to such insertions as are answers to questions which have been previously asked and have been agreed upon to be submitted, with the discretion of the chairman to make such material a part of the record by reference or by inclusion, as he deems fit.

The executive session will be held next Thursday upon this matter.

The committee is adjourned.

(By direction of the Chairman, the following is made a part of the record:)

Statement on Behalf of Member State Chambers of the Council of State Chambers of Commerce

This statement is made on behalf of the 24 member State and regional chambers of commerce in the Council of State Chambers of Commerce which are listed at the end of the statement.

We believe that the action taken by the House of Representatives to increase the minimum primary insurance amount from $33 to $40 per month may be appropriate. If adopted, this provision will benefit more than 2 million beneficiaries and will cost an estimated $170 million in the first full year of operation.

This change should result in decreased costs for public assistance to the extent that the increased minimum benefit is paid to persons who also receive supplementary public assistance payments.

The House Ways and Means Committee, in its report on the bill, noted that the level-premium cost of the minimum benefit increase would be 0.00 percent of payroll. Since this percent of payroll increase in cost of the OASDI program cannot readily and easily be integrated into the existing contributions rate schedule, it seems to us that the cost of the provision might well be absorbed by the program.

We would interpose no objection to the provision to extend to June 30, 1962, the time within which disabled persons may file applications for disability determinations, on the basis of which the beginning of a period of disability would be established as early as the actual onset of disablement. It is entirely possible that some persons entitled to make such a filing are not aware of the provisions granted by the 1960 amendments.

We are opposed to the other provisions of H.R. 6027, and we urge your committee to reject them for the reasons set forth in the paragraphs that follow.

We object to the enactment of section 102 of the House bill which would reduce the retirement age of men to 62. With the gradual lengthening of life expectancy it seems both inconsistent and costly to attempt to entice persons to withdraw from gainful employment at an increasingly earlier age. Particularly, the use of a tax-supported public retirement program as a means of reducing the labor force and alleviating unemployment conditions is not acceptable. It does not square with the obvious challenge facing us today which requires greater productivity and greater sacrifices from everyone.

Business and industry have tried where feasible to provide early retirement through private plans. If the tax-supported public programs are made so attractive, employers will experience greater hardship in negotiating or otherwise providing attractive fringe benefits for their own employees. There are areas that can and should be reserved for private industry rather than for governmental action—and this is one of them. This would be in keeping with the basic concept that the OASDI program should provide minimum floor of protection and that any supplementation or improvement should be left to private industry.
A point could be made that the retirement age for women was reduced on the ground that wives were generally 2 or 3 years younger than their retired husbands. If the retirement age for men is lowered to 62, the next obvious move would be to lower the retirement age for women to 60 or lower.

We respectfully call the committee's attention to the comments relating to reduced benefits for men at age 62 which appear as supplementary and minority views of certain members of the House Ways and Means Committee. These comments point out the fact that while the actuarial reduction in benefit level would prevent any level-premium cost increase from this change, the cash benefit drain on the OASDI trust fund would be higher over the next 15 years. These views also recognize that if age 62 is adopted as a proper retirement age under social security, it will establish the basis for pressures to adopt age 62 as a compulsory retirement age in collective bargaining agreements and industry in general. And we agree with these supplemental views to the effect that our private enterprise economy can ill afford to forego the great technical skills and knowledge possessed by those between the ages of 62 and 63.

We object to the enactment of section 103 of the House bill which would reduce the "fully insured status" requirement from one out of every three to one out of every four quarters of coverage elapsing since 1950. In connection with this proposal, the point has been made that the current younger entrant coming into the OASDI program must have covered employment for only 25 percent of his life in order to get benefits; but that an older person must have 33 percent or more of the time after his employment became covered under the program in order to get benefits. The point relates solely to equality of coverage periods and overlooks the discriminatory aspect that the younger entrants will have to pay far more tax than the older persons for the same amounts of benefits.

The current provision was enacted last year. We see no reason why it should be changed—and so soon. Last year, the Senate refused to accept this proposal which had been approved by the House of Representatives. The current provision was a compromise between the House provision and the "one out of two quarters of coverage" provision which existed prior to 1960. Even though the present proposal might cost only $35 million in the first full year of operation, it would seem that an approximate 33 percent liberalization in a basic eligibility provision such as this would be far more costly as the OASDI program matures. Although the near-term cost aspect of this proposal is not too significant, we still object to its enactment as a matter of principle.

We also object to section 104 of the House bill. This provision would increase the widow's, widower's, and parent's monthly benefit from 75 percent to 82 1/4 percent of the monthly primary insurance amount. This proposal is selective and discriminatory in that other categories of beneficiaries (mother's and disabled children) are not accorded the same treatment. In addition, the 1958 amendments of the Social Security Act already provide an automatic escalator for higher maximum benefits, and this in turn provides an automatic increase in the maximum derivative benefits. For example, the 1958 maximum monthly social security benefit was $108.50; today it is $120. Under the 1958 formula a widow could have received $81.30 a month. Under the current law she would receive $90 a month. The current 75 percent provision will raise the ultimate maximum widow's benefit to $97.30 per month. The proposed 82 1/4 percent provision would raise that ultimate maximum monthly benefit to $104.80.

The foregoing, of course, relates only to the maximum monthly benefit. The proposal would raise the monthly benefit of all beneficiaries in the categories selected. To this, we would point out that any unmet needs of the present beneficiaries in the categories selected can be and should be met through the operation of title I of the social security program—the old-age assistance program—and that future beneficiaries will receive increased monthly benefits merely through the "seasoning" of the current benefit formula.

We oppose the enactment of section 201 of the House bill which would increase the tax rates one-eighth of 1 percent for both employers and employees and three-sixteenths of 1 percent for self-employed individuals. The enactment of a $7 increase in the minimum monthly benefit and extension to June 30, 1962, of the time for filing certain disability claims would not create serious actuarial imbalances in the OASDI program. The administration's original proposal (H.R. 4671) would have cost approximately $1,010 million in the first year of operation. This was to have been financed by a one-fourth of 1 percent increase in the tax rates. The present version of H.R. 6027 would cost $780 million in the first full year of operation and this would be financed by a one-eighth of 1
percent increase in the tax rates. A question arises as to whether or not a 25 percent reduction in cost would permit a 50 percent reduction in the tax rate.

In the light of present economic conditions, however, any provision to increase the OASDI tax rate is of particular significance to business. While there are evidences of a pickup in business activity, we should not be imposing any deterrent to this increasing economic activity, regardless of how small.

We are concerned over the apparent inclination to use the OASDI program for pump-priming and antirecession purposes. We object most strenuously to any deliberate move that would involve a substantial deficit financing of the program in reckless disregard of its long-range commitments. The program is not expected to mature fully for at least another 70 years. In the interim, it must be continued with strength and security and its financial integrity must not be compromised for temporary economic expediency. We commend for your consideration certain of the minority views of the House Ways and Means Committee which are on pages 97-99 of House Report 216 dated April 7, 1961. They are:

"We should frankly recognize that the present social security system is not insurance and we should end the cruel pretense of maintaining on the basis of an insurance concept that some citizens are deserving of higher benefits than others and some citizens are deserving of no benefits. It serves no useful purpose to characterize as "insurance" what is merely a statutory mechanism combining welfare and insurance characteristics which emerge as a hybrid that is not insurance and that provides welfare only on a hit-or-miss basis. This mechanism is essentially a device for taking the productivity of one group of our citizens to provide for the welfare of another group and these groups may or may not be of the same generation.

"Our reservations with respect to the existing social security program and the amendments proposed in H.R. 6027, aside from considerations of equity and fairness, are primarily directed to our serious doubts over the financial ability of the program to sustain itself in perpetuity. The assumptions on which the system is pronounced sound are inescapably predicated almost completely on economic and population forecasting. There is less reason to question the actuarial conclusions if the assumed economic and population forecasts are correct. Our concern is that these forecasts may prove to be at substantial variance with experience, with the result that the tremendous obligations already accumulated under the OASDI system will prove an intolerable burden.

"The existing system is established on the principle that taxes will be imposed on future earned income of future workers to pay benefit obligations that have been previously incurred. The magnitude of these obligations can be demonstrated by an examination of certain actuarial data (supplied in the minority statement).

"These actuarial data give some meaning to the magnitude of the future obligations that have already been incurred under the social security program and suggest the compelling reasons why care must be exercised in the evaluation of the existing program and any proposed liberalizations thereof.

"We favor a program that is sound in principle and in its financing features. We are opposed to imposing on future generations the obligations that we should be meeting for ourselves. * * *

We wholeheartedly support these views with respect to the social security program.

The organizations endorsing this statement are:
Alabama State Chamber of Commerce.
Arkansas State Chamber of Commerce.
Colorado State Chamber of Commerce.
Connecticut State Chamber of Commerce.
Delaware State Chamber of Commerce.
Florida State Chamber of Commerce.
Georgia State Chamber of Commerce.
Indiana State Chamber of Commerce.
Kansas State Chamber of Commerce.
Kentucky Chamber of Commerce. (The Kentucky chamber does not endorse the proposed increase in minimum benefits since it will result in increased costs to the program.)
Maine State Chamber of Commerce.
Mississippi State Chamber of Commerce.
Missouri State Chamber of Commerce.
New Jersey State Chamber of Commerce.
Ohio Chamber of Commerce.
State of Oklahoma Chamber of Commerce.
Pennsylvania State Chamber of Commerce.
South Carolina State Chamber of Commerce.
South Texas Chamber of Commerce. (The South Texas chamber feels that if the minimum benefit is increased then the aged widow's, widower's and parent's benefit should be increased from 75 to the proposed 82½ percent of the primary insurance amount.)
Lower Rio Grande Valley Chamber of Commerce (Texas). (The Lower Rio Grande Valley chamber does not endorse the increase in the minimum benefit.)
The Salt Lake City, Utah, Chamber of Commerce.
Virginia State Chamber of Commerce. (The Virginia chamber questions the propriety of an increase in the minimum benefit, but does not interpose an objection.)
West Virginia Chamber of Commerce.
Wisconsin State Chamber of Commerce.

(Whereupon, at 1:20 p.m., the hearing was concluded.)